

CONSOLIDATED LEGISLATION

Law 34/1998 of 7 October 1998 on the hydrocarbon sector.

Head of the State
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JUAN CARLOS I

KING OF SPAIN

To all who see and understand the present.

You know: That the Cortes Generales have passed and I come to pass the following Law.

STATEMENT OF REASONS

The purpose of this Law is to renew, integrate and harmonise the various legal regulations in force in the field of hydrocarbons. It is therefore intended to achieve a more open regulation, in which the public authorities safeguard the general interests through the legislation itself, limiting their direct intervention in the markets in the event of emergency situations. This regulation should also allow free entrepreneurship to expand its scope and the introduction into our legal system of socially assumed technical and commercial realities, but at the moment lacking the appropriate legal framework. At the same time, in parallel with this opening-up of legislation, the mechanisms for detailed information by market players to the competent administrations should be further developed in order to enable the achievement of the objectives proposed by the liberalisation of the markets to be established.

This Law seeks to provide integrated treatment for a vertically articulated industry. From the production of hydrocarbons in an underground site to their consumption in the engine of a vehicle, in the heating of a dwelling or in an industrial process, a series of economic transactions and physical processes of transformation, processing or simply transport that deserve global consideration are or may occur, since they are part of an economic activity which, although segmentable, responds to an integrated design. This integration should facilitate a balanced treatment of the different activities regulated by this Law and allow for substantial homogeneity in the way similar problems are addressed.

Added to the above is the concern of the Law about the introduction of environmental protection criteria that will be present in the activities covered by it, from the moment of its planning. It is therefore intended to reflect the need to preserve and restore the environment as a prerequisite for improving the quality of life.

The first material block addressed by the Law is that relating to the exploration, research and exploitation of hydrocarbons that have been regulated by Law 21/1974 of 27 June 1974. The main innovations contained in this Law are its conformity with the constitutional order, the abolition of the reservation in favour of the State, the regulation of underground storage, the creation of the operator's figure and, finally, the special emphasis on the obligations to dismantle the installations that concessionaires must assume. While constitutional adequacy is a necessity that is self-explanatory, the abolition of the reservation in favour of the State responds to the need to shape such a State as a regulator and not as an executor of certain industrial activities. This does not mean that, if the State deems it appropriate, it may promote research in a specific area by launching the corresponding competitions. Both underground storage and the figure of the operator are novelties that are incorporated into

our order from the observation of reality. Unregulated underground storage is a core of both the safety of the natural gas system and other types of hydrocarbons. As regards the operator, it is the entity that acts as responsible to the Administration for all activities carried out in the field of hydrocarbon research and exploitation where there is shared ownership.

The refining of petroleum and the transport, storage, distribution and marketing of petroleum products are regulated from a perspective of further liberalisation, with the abolition of pre-existing authorisations for the exercise of the activity by the mere authorisation of installations affecting an activity which, due to the nature of the products handled, requires particular attention. Only, by way of exception, is the authorisation to operate maintained for wholesale operators who, on the whole liquid hydrocarbon market, are responsible for maintaining minimum safety stocks, which is the basic guarantee of the system.

The supply of liquefied gas from packaged oil also receives the liberalising momentum that this law seeks to extend to the entire hydrocarbon sector. Requirements for the exercise of the activity between which the removal of mandatory home distribution may be the most relevant example are deleted.

The regulation of the gas sector seeks to advance the liberalisation of the sector and to reflect the progress made in our country in this industry since the enactment in 1987 of the Basic Provisions Act for a coordinated development of actions in the field of gaseous fuels, making it compatible with a homogeneous and coherent development of the gas system throughout the national territory.

On the basis of the homogeneity already referred to as the presiding criterion of this rule, it is also intended that homogeneity is maintained in the basic approach given to the natural gas system, in relation to the electricity system. In both cases these are supplies that require physical connections between producers and consumers. Since the duplication of these interconnections has no economic sense, the network owner is configured as a monopoly of supply. The separation between the ownership of transport infrastructure and the service provided by this infrastructure and the progressivity in this separation process are the two tools that, like Law 54/1997 of 27 November 1997 on the electricity sector, this Law uses to transform the landscape of the natural gas industry.

However, this Law contains other technical possibilities for supplies from gaseous fuels other than natural gas, among which, due to their impact, the supply of liquefied petroleum gases by pipeline should be highlighted.

Furthermore, although this law is explicit in the intention to liberalise all or part of the prices of commercial transactions of fuel gases by pipeline, and in particular those relating to natural gas where there are sufficient signals on the market to make it possible, it is envisaged that there will be a specific economic regime for these goods, so that the interests of both consumers and future producers are protected from the outset with respect to any situation of market power.

It is also necessary to address three generic aspects of the law which represent a certain novelty in our system:

The status of public service in the gas sector is deleted. It is considered that all the activities regulated by this Law do not require the presence and responsibility of the State for its development. However, for all of them the consideration of activities of general interest already covered by Law 34/1992 of 22 December 1992 on the organisation of the oil sector has been maintained.

Unlike the electricity sector, whose supplies are considered essential, supplies from the hydrocarbon sector are of particular importance for the development of economic life, which implies that the State must ensure its security and continuity and justifies the maintenance obligations of minimum security stocks affecting petroleum products and gas.

Reference should also be made to the National Energy Commission established by this Law. The linkage and interdependence of the energy sectors, the similar problems of some of them, especially, as has been pointed out, natural gas and electricity, and the progressive interrelationship of businesses in this economic field recommend that one body be given the regulation and surveillance of the energy market, in order to ensure their transparency and to coordinate the criteria for the resolution of the cases before it.

Finally, it is necessary to clarify the criteria for the distribution of competence followed by that rule, which is stated to be of a basic nature in those provisions which so require. Article 149.1.25^{confers on} the State the power to lay down the foundations of the mining and energy system, which is supplemented by the provisions of point 22 of the same article, which gives the State competence over energy transport infrastructures when they leave the territorial scope of an Autonomous Community. In addition, the case-law of the Constitutional Court in the material field at issue, in particular judgment 24/1985 of 21 February, and the most recent judgment 197/1996 of 28 November 1996. Both judgments are based on a delimitation of competence based on the consideration of the hydrocarbon market as the only one, which must inevitably be projected as a unit. This makes it necessary to separate from the criterion of territoriality and to determine for each installation its impact on an overall market. This Law respects the competences of the Autonomous Communities in all matters relating to the distribution of hydrocarbons and makes them involved in the more general aspects of planning and planning of the sector.

TITLE I

General provisions

Article 1. *Subject matter and scope of the Law.*

1. The purpose of this Law is to regulate the legal regime for activities relating to liquid and gaseous hydrocarbons.

2. The following activities are considered to fall within the scope of this Law:

- a) Exploration, research and exploitation of deposits and underground storage of hydrocarbons.
- b) Foreign trade, refining, transport, storage and distribution of crude oil and petroleum products, including liquefied petroleum gases.
- c) The acquisition, production, liquefaction, regasification, transport, storage, distribution and commercialisation of gaseous fuels by pipeline.

3. Activities aimed at the supply of liquid and gaseous hydrocarbons shall be carried out in accordance with the principles of objectivity, transparency and free competition.

Article 2. *Regime of activities.*

1. For the purposes of Article 132.2 of the Constitution, hydrocarbon deposits and underground storages existing in the territory of the State and in the subsoil of the territorial sea and the seabed which are under the sovereignty of the Kingdom of Spain shall be considered as assets in the public domain, in accordance with the legislation in force and the international conventions and treaties to which it is a party.

2. Free entrepreneurship is recognised for the pursuit of the activities referred to in Titles III and IV of this Law.

These activities shall be carried out by ensuring the supply of petroleum products and gas by pipeline to the requesting consumers within the national territory and shall be regarded as activities of general economic interest. In respect of such activities, the public authorities shall exercise the powers provided for in this Law.

Article 3. *Powers of regulatory authorities.*

1. It is the responsibility of the Government, under the terms set out in this Law:

- a) Exercise hydrocarbon planning powers.
- b) To lay down the basic rules for the activities covered by this Law.
- c) To determine tariffs of last resort in cases where this Law so provides and to fix the types and prices of services associated with the supply, to be determined by regulation.
- d) Establish the minimum quality and safety requirements for the supply of hydrocarbons.
- e) Determine the structure and methodology for calculating charges for access services to gas installations intended to cover the remuneration associated with the use of basic underground storage, and approve the values of the access charges to those facilities. Determine the methodology, parameters, asset base and amounts of remuneration for underground storage.
- f) Determine the structure and methodology for calculating the charges relating to the costs of natural gas installations not associated with their use, and approve the values of those charges.

2. Under the terms of this Law, the General State Administration shall:

a) Grant the exploration authorisations and research permits referred to in Title II, where they concern the territorial scope of more than one Autonomous Community. It shall also grant the operating concessions referred to in the above-mentioned Title of this Law.

b) Grant exploration authorisations, research permits and exploitation concessions in the subsoil areas referred to in Title II of this Law. It shall also grant exploration authorisations and research permits where their scope includes both land and subsoil areas.

c) Authorise the installations forming part of the basic natural gas network, as well as those other secondary transmission and distribution facilities, referred to in this Law, when they leave the territorial scope of an Autonomous Community. It shall also inform, in a binding manner, the authorisations of those installations in the secondary transmission system which fall within the competence of the Autonomous Communities. That report shall explicitly refer to the conditions to be applied in the award procedure.

d) Authorise natural gas marketers when their scope is to exceed the territory of an Autonomous Community.

e) **(Repealed)**

f) To issue, within the scope of its competence, instructions concerning the extension, improvement and adaptation of hydrocarbon transport and distribution infrastructure in order to ensure adequate quality and

security of energy supply.

g) Inspect, within the scope of its competence, compliance with the technical and, where appropriate, economic conditions required.

h) Inspect compliance with the maintenance of minimum security stocks of mandatory wholesale operators.

i) To penalise, in accordance with the Law, the commission of the offences provided for in this Law within the scope of its competence.

3. Without prejudice to the powers conferred on the various competition bodies, the National Energy Commission shall, in addition to the functions conferred by the legislation in force, be responsible for the functions of the third paragraph of the eleventh additional provision of this Law.

4. (Deleted)

5. The General State Administration may conclude cooperation agreements with the Autonomous Communities in order to achieve a more efficient management of administrative actions relating to the installations referred to in this Law.

Article 4. Hydrocarbon planning.

1. Hydrocarbon planning shall be indicative, with the exception of the installations forming part of the core natural gas network, the secondary transmission network, the determination of the total regasification capacity of liquefied natural gas required to supply the gas system, the storage facilities for strategic liquid hydrocarbon reserves and the basic storage of natural gas, secondary transport facilities and the establishment of general criteria for the establishment of facilities for the supply of petroleum products at retail level, which in these cases are mandatory for the guarantee of the supply of hydrocarbons.

For the recognition of the remuneration of natural gas installations subject to compulsory planning, it shall be essential that they have been included in the planning referred to in the preceding subparagraph.

2. Hydrocarbon planning will be carried out by the Government with the participation of the Autonomous Communities and will be presented to the Congress of Deputies.

3. Such planning shall cover at least the following aspects:

a) Forecast of demand for petroleum products and natural gas over the period covered.

b) Estimation of the supply of petroleum products needed to meet expected demand on the basis of quality, security of supply, energy diversification, efficiency improvement and environmental protection.

c) Forecasts for installations for the transport and storage of petroleum products according to the forecast of their demand, with particular attention to storage facilities for strategic stocks.

d) Forecasts of development of the basic network of natural gas transmission and of the total regasification capacity of liquefied natural gas necessary to supply the gas system, in order to meet the demand with criteria of optimisation of the gas infrastructure throughout the national territory.

e) Definition of priority gasification zones, expansion of networks and stages of their implementation, in order to ensure a homogeneous development of the gas system throughout the national territory.

f) Forecasts for installations for the transport and storage of gaseous fuels, as well as liquefied natural gas reception and regasification plants, in order to ensure the stability of the gas system and the regularity and continuity of fuel gas supplies.

g) Establishment of general criteria for determining a minimum number of retail oil supply facilities based on population density, distribution and characteristics and, where applicable, vehicle traffic density.

h) The environmental protection criteria to be reported by the activities covered by this Law.

4. The National Markets and Competition Commission shall monitor the investment plans of transmission system operators, assessing those plans, in particular as regards their alignment with the Community-wide network development plan referred to in Article 8(3)(b) of Regulation (EC) No 714/2009, and may include recommendations for amendment.

Article 5. Coordination with urban planning and road infrastructure.

1. The planning of gas transmission facilities and the storage of strategic hydrocarbon reserves, as well as the general criteria for the location of installations for the supply of petroleum products at retail level, shall be taken into account in the relevant instrument for spatial planning, town planning or road infrastructure planning as appropriate, specifying possible installations, properly classifying the land and establishing the necessary soil reserves for the location of the new installations and the protection of existing ones.

The planning of installations referred to in Article 4(3)(g) shall also be taken into account in road planning.

2. In cases where the planning of such installations has not been taken into account in planning or planning instruments described in the previous paragraph, or where justified reasons of urgency or exceptional interest for the supply of petroleum products or natural gas suggest the establishment of such facilities, and provided

that under other laws an instrument of spatial or urban planning is required according to the class of the land concerned, the provisions of the applicable legislation on land regime and land-use planning are applicable.

Please note that paragraph 2 is repealed, in so far as it applies to the installations of the core network for the transmission of natural gas, as laid down in the sole derogatory provision (d) of Law 13/2002 of 23 May 2002.

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3. The restrictions provided for in the planning or planning instruments described in the preceding paragraph affecting hydrocarbon exploration, research and exploitation activities shall not be generic and shall be reasoned.

Article 6. Other authorisations.

1. The authorisations, permits and concessions covered by this Law shall be without prejudice to any other authorisations that the works, constructions and installations necessary for the development of the subject-matter of the same may require for fiscal reasons, spatial planning and urban planning, protection of the environment, the protection of living marine resources, the requirement of corresponding sectoral legislation or safety for persons and property.

2. As regards the industrial safety and quality of the technical and material components for the installations covered by this Law, the provisions of Law 21/1992 of 16 July 1992 on Industry and other relevant provisions shall apply.

3. When the works, constructions and installations covered by this Law are located or have to be carried out within areas and facilities of interest to the national defence, authorisation from the Ministry of Defence shall be required, in accordance with the provisions of Law 8/1975 of 12 March 75 on areas and facilities of interest for national defence, and its implementing regulations.

TITLE II

Exploration, research and exploitation of hydrocarbons

CHAPTER I

General provisions

Article 7. Regulated activities.

This Title establishes the legal status of:

- a) Exploration, research and exploitation of hydrocarbon deposits.
- b) Exploration, research and exploitation of underground storage for hydrocarbons.
- c) The activities of transport, storage and industrial handling of hydrocarbons obtained, when carried out by researchers or operators themselves in an ancillary manner and by means of facilities annexed to those of production.

Article 8. Headlines.

1. Legal persons, whether public or private, may carry out any of the activities referred to in this Title by obtaining the corresponding authorisations, permits and concessions.

The authorisations, permits and concessions referred to in this Article shall be granted in accordance with the principles of objectivity, transparency and non-discrimination.

2. Research permits and operating concessions may only be granted, individually or under shared ownership, to commercial companies which demonstrate their technical and financial capacity to carry out research operations and, where appropriate, to exploit the areas requested.

The commercial companies referred to in the preceding paragraph shall include in their object the carrying out of activities of exploration, research or exploitation of hydrocarbons or underground storage.

3. In the case of shared ownership of research permits or operating concessions, all operators shall designate one of them as an operator, without prejudice to their joint and several liability towards the Administration for all obligations arising therefrom.

The operator shall be the representative of all operators to the Administration for the purposes of submitting documentation, managing guarantees and technical responsibilities for prospecting, evaluation and exploitation.

Article 9. *Legal status of activities.*

1. The exploration authorisation empowers the holder to carry out exploration work in free areas, meaning those geographical areas for which there is no research permit or exploitation concession in force.

2. The research permit empowers the holder to investigate, exclusively, in the area granted the existence of hydrocarbons and underground storage for them, under the conditions laid down in the regulations in force and in the previously approved research plan. The granting of a research permit confers on the holder the exclusive right to obtain operating concessions, at any time during the period of validity of the permit, in the same area, subject to compliance with the conditions referred to in Chapter III of this Title.

3. The concession of exploitation empowers the operator to make use of the resources discovered, either by extraction of hydrocarbons, or by the use of the structures as underground storage of any type of those, as well as to continue the research work in the area granted.

The holder of an operating concession shall be entitled to the relevant authorisations for the construction and use of the facilities necessary for the performance of his business, provided that they comply with the legislation in force and with the previously approved operating plan.

4. Prior to the commencement of the work of exploration, research, exploitation or storage of hydrocarbons, civil liability insurance shall be established in order to account for any damage to persons or property, as a result of the activities to be carried out in accordance with the regulations, taking into account their nature.

5. In the development of the work to be carried out within the framework of the titles indicated in this article, geophysical and geochemical methods of prospecting, drilling of vertical or diverted boreholes with possible application of usual techniques in the industry, including hydraulic fracturing, well stimulation and secondary recovery techniques and any other aerial, marine or terrestrial methods necessary for their object, may be applied.

6. All geographical coordinates included in the corresponding delimitations of research permits and hydrocarbon exploitation concessions shall be defined on the basis of the official geodetic reference system in Spain.

Article 10. *Investment by non-nationals.*

For the purposes of this Title, capital investment by legal persons domiciled abroad shall be free, and must comply with the provisions of the regulations in force on foreign investments.

Article 11. *Transmissibility of research permits and operating concessions.*

The transfer, in whole or in part, of research permits and operating concessions, as well as the cooperation agreements which the holders of such permits carry out in the course of their actions, shall be subject to the authorisation of the competent administration, subject to the accreditation of the requirements required to hold them.

Article 12. *Obligation to provide information.*

1. Holders of exploration authorisations, research permits and exploitation concessions shall be obliged to provide to the competent body which has granted them such information as may be requested regarding the characteristics of the site and the works, productions and investments they carry out, as well as geological and geophysical reports concerning their authorisations, permits and concessions, as well as any other data as may be determined by regulation.

2. In the case of exploration authorisations, confidentiality shall be maintained for seven years from the date of completion of the fieldwork. Likewise, in the case of research permits and operating concessions, the information obtained will be confidential during the period of validity of the information.

3. Technical documentation generated by exploration programmes for exploration authorisations, research permits and exploitation concessions must be forwarded to the General State Administration for inclusion in the Hydrocarbon Technical Archive of the Ministry of Industry, Tourism and Trade and, where appropriate, to the Autonomous Community that granted them.

CHAPTER II

Of exploration and research

Article 13. *Free activities.*

Land surface exploration of a mere geological character may be carried out freely throughout the national

territory.

Article 14. *Exploration authorisations.*

1. The Ministry of Industry and Energy, or the competent body of the Autonomous Community when it affects its territorial scope, may authorise in areas free of exploration work of a geophysical nature or other work which does not involve the execution of deep drillings defined in this way.

2. Applicants for exploration authorisations shall demonstrate the following points in such terms as are laid down in the relevant development regulations:

- a) Legal, technical and financial capacity of the applicant.
- b) Exploration programme, indicating the techniques to be used and environmental protection measures.
- c) Status of the sites where the exploration plan is to be undertaken.

3. Under no circumstances shall these explorations be authorised as a monopoly or create exclusive rights.

Article 15. *Research permits.*

1. Research permits shall be granted by the Government or by the governing bodies of the Autonomous Communities when they affect their territorial scope and shall confer the exclusive right to investigate the areas to which they relate for a period of six years.

Exceptionally, this period may be extended, at the request of the person concerned, for a period of three years. The extension grant shall reduce the original area of the permit by 50 % and shall be conditional upon the holder's compliance with the obligations established for the first period of validity.

2. As a general rule, the areas of research permits shall have a minimum of 10,000 hectares and a maximum of 100,000 hectares.

By regulation, it shall be determined in which cases the area of the investigation permit may fall outside the range set out in the preceding paragraph.

3. Permit areas shall be delimited by geographical coordinates, with deviations up to 4 per 100 of the established maximum limits allowed in each research permit.

Article 16. *Application and registration.*

1. The research permit shall be requested from the Ministry of Industry and Energy or the relevant body of the Autonomous Community when it concerns its territorial scope. The Ministry shall have a special public register, without prejudice to any territorial records, which shall state the identity of the applicant, the date of submission, the serial number corresponding to the application and the other circumstances.

The Autonomous Communities shall have the obligation to communicate to the Ministry of Industry, Tourism and Trade information concerning the research permits requested from the Autonomous Communities and those granted by them in accordance with the procedure to be determined by regulation.

2. The applicant for the research permit shall submit at least the following documentation with the scope set out in the relevant implementing legislation:

- a) Proof of the applicant's legal, technical and economic financial capacity.
- b) Area of the research permit to be delimited by its geographical coordinates.
- c) Research plan, comprising the work programme, the investment plan, the environmental protection measures and the restoration plan.
- d) Proof of the provision of the guarantee referred to in Article 21 of this Law.

Article 17. *Offers in competition.*

1. Upon receipt of the application in the relevant Register, the competent body shall verify whether the applicant fulfils the requirements of this Title.

2. If the applicant does not fulfil those requirements, the application shall be rejected. If they comply with them, the publication in the Official State Gazette and, where appropriate, in the Official Gazette of the Autonomous Community competent for the award, of a notice publishing the name of the applicant and the delimitation of the area shall be ordered so that competitive tenders may be submitted within two months or that those who consider themselves to be adversely affected by their rights may lodge objections.

Article 18. *Award procedure.*

1. The documentation, form and deadlines for the submission of competitive tenders, permit award procedure and minimum investments to be made in each period of validity shall be established by regulation.

2. The decision on the granting of the research permit shall be adopted by Royal Decree or in the form that each Autonomous Community establishes for those corresponding to its territorial scope, and any oppositions

that may have been formulated must be expressly resolved.

3. The award decision shall set out the minimum work to be carried out by the successful tenderers of the permits, including environmental protection work, until they are terminated or renounced.

Article 19. *Concurrence of applications.*

In the case of two or more applications in the same area, new applicants must prove their legal, technical and economic and financial capacity to the Ministry of Industry, Tourism and Trade or, where appropriate, to the competent body of the Autonomous Community.

The valuation criteria shall be regulated in the case of competitive bids, taking into account, inter alia, the higher level of investments, the speed of implementation of the investment programme and the premium offered above the value of the area fee for research permits and operating concessions provided for in the First Additional Provision of this Law.

In addition, the procedure for awarding competitive tenders in the case of too many will be established by regulation.

Article 20. *Competition for areas not granted.*

The Council of Ministers, acting on a proposal from the Minister for Industry, Tourism and Trade or, where appropriate, the governing bodies of the Autonomous Communities, within the scope of their powers and where they deem it necessary to obtain the tender best suited to the general interest, may open competitions in certain areas not granted or under way by means of a notice published in the Official State Gazette and also in the Official Journal of the Autonomous Community in the case of competitions organised by an Autonomous Community, awarding them to the contestant who, meeting the requirements, offers the best conditions.

Article 21. *Guarantee.*

1. The guarantee required by Article 16 shall be fixed on the basis of the investment plan and the restoration plan submitted by the applicant and shall be in compliance with the investment, tax, social security and catering obligations and other obligations arising from research permits.

2. The guarantee to be lodged in favour of the administration acting shall consist of one of those provided for in Article 3 of the Regulation of the General Deposits Fund, approved by Royal Decree 161/1997 of 7 February 1997, or regional legislation, where appropriate.

3. The value of the required guarantee shall be determined by regulation and regularly updated for the new permits and concessions granted, in particular taking into account the market values of transactions in the sector.

4. The holder or operator of each research permit or operating concession shall be responsible for submitting and maintaining 100 % of the guarantee to the Ministry of Industry and Energy or the corresponding body of the Autonomous Community in the permits within its territorial scope.

5. In the event of refusal or waiver of the permit or of the termination of the permit, provided that the holder has fulfilled his obligations, the deposit shall be returned to the person concerned or the security waived within such time limits as may be laid down by regulation.

6. In the event of full or partial forfeiture of the security for failure to comply with the obligations referred to in paragraph 1 of this Article, the holder shall be required to replenish the security within the period specified in the Regulation and in the event of non-compliance the licence shall be cancelled.

Article 22. *Development of work and work.*

1. The holder of a research permit shall be obliged to develop the work programme and investments within the time limits specified in the granting decisions of the competent body. It shall also be obliged to submit work plans annually in accordance with the regulations.

2. The competent body may amend, under the conditions laid down by regulation, the time limits referred to in paragraph 1 of this Article, the programme of work and the investment plan, or even transfer obligations from the investment plan from one permit to another, upon the waiver of the former.

3. The holder of a research permit discovering hydrocarbons shall be obliged to inform the authority which granted the research permit and, in any case, the Ministry of Industry and Energy, and may use them to the extent required by the research operations and in any of the areas which have been or are awarded to him.

Article 23. *Concurrence of mining rights.*

1. Hydrocarbon research permits may be granted even in cases where in all or part of the same area there are other mining rights granted in accordance with applicable regulations.

2. The granting of research permits under this Law shall not prevent the granting of authorisations, permits or concessions relating to other mineral deposits and other geological resources in the same areas.

3. It will be regulated how to resolve incidents that may occur because research permits or concessions for the exploitation of hydrocarbons and other mineral substances and other geological resources coincide in an area. In the event that the work is incompatible, definitively or temporarily, the Ministry of Industry and Energy or the competent body of the Autonomous Community, if both activities are to be carried out within its territorial scope, shall decide on the substance or resource the exploitation of which is of the greatest interest. The holder to whom priority is given shall pay the person who is refused compensation for the damage caused to him. If the incompatibility is temporary, the suspended work may be resumed after the incompatibility has disappeared.

CHAPTER III Of the holding

Article 24. *Rights of holders of concessions for the exploitation of hydrocarbon deposits.*

1. The concession for the exploitation of hydrocarbon deposits confers on the holders the right to exclusively exploit the hydrocarbon deposits in the areas granted for a period of 30 years, which may be extended for two successive periods of ten years.

2. Holders of a concession for the exploitation of hydrocarbon deposits shall have the right to continue research activities in those areas and to obtain authorisations for the activities provided for in this Title.

3. Holders of a concession for the exploitation of hydrocarbon deposits may freely sell the hydrocarbons obtained.

Article 24a - *Rights of holders of concessions for the operation of underground storage of hydrocarbons.*

1. Holders of an underground hydrocarbon storage concession shall have the right to store hydrocarbons produced by themselves or owned by third parties in the subsoil of the area granted and shall be granted for a period of 30 years, renewable for two successive periods of 10 years. They may also carry out research into such storages.

2. If for technical reasons the extraction of hydrocarbons existing in the underground structure subject to the underground storage concession is required, the holders of the concession may extract the hydrocarbons in accordance with the conditions laid down in the granting of the concession.

Article 25. *Application for a concession for exploitation.*

1. Applicants for concessions for the exploitation of hydrocarbon deposits or underground storage, under the terms laid down by regulation, must submit to the Ministry of Industry, Tourism and Trade the following documentation:

- a) Technical report detailing the status, extension and technical data of the concession justifying your application.
- b) General operating plan, investment programme, environmental impact assessment and, where appropriate, estimation of recoverable reserves and production profile.
- c) Plan for the decommissioning and abandonment of the installations once the operation of the deposit or underground storage has been completed, as well as the recovery of the environment.
- d) Proof of the guarantee provided by the applicant in the General Deposit Fund.

2. The Government shall authorise, following a report from the Autonomous Community concerned, the granting of concessions for the exploitation of hydrocarbon deposits or underground storage by Royal Decree. The Royal Decree shall lay down the basis for the proposed operating plan, the liability insurance to be compulsory by the concession holder and the financial provision for dismantling. Where reasons of general interest so advise, the operating plan may be amended by Royal Decree, following a report from the Autonomous Community concerned.

Notwithstanding the provisions of the previous paragraph, where the concession to operate relates to underground storage of natural gas which, due to its characteristics, does not have the status of basic storage, the Government's authorisation must be made after a favourable report from the Autonomous Community concerned.

3. Three months before the beginning of each calendar year, the concessionaire shall submit for approval to the Ministry of Industry, Tourism and Trade an annual work plan which shall be in accordance with the current operating plan.

4. If the period of a research permit expires before the concession for the exploitation of hydrocarbons deposits or underground storage has been granted, the research permit shall be deemed to have been extended

until the termination of the concession file.

Article 26. *Area affects and does not affect a farm concession.*

1. The areas which are the subject of a concession may have the form requested by the petitioner, but they must be defined by the grouping of one minute side quadrilaterals, coinciding with full minutes of latitude and longitude, attached at least on one side.
2. The area of a farm concession shall be adapted to the minimum size necessary for its protection.
3. The part of the area concerns a research permit that is not covered by the operating concessions granted may continue to be devoted to research activities up to the limit of the period of validity of the permit.

Article 27. *Conditions and warranty.*

1. Concessionaires in their operations must comply with the technical conditions and requirements laid down by regulation.
2. The guarantee referred to in Article 25 for an operating concession shall be fixed on the basis of the investment programme submitted by the applicant and shall be in compliance with tax, social security, dismantling and recovery obligations and other obligations arising from operating concessions.

Article 28. *Extension of operating concessions.*

1. Extensions of concessions for the operation of deposits and underground storage, in accordance with the provisions of Articles 24 and 24a of this Law, shall be requested from the Ministry of Industry, Tourism and Trade.
2. A request for an extension by the concession holder shall be a necessary condition that the obligations committed in the previous period have been fulfilled and that it maintains its activity in accordance with its operating plan.

The procedure for applying for and granting extensions of a concession for the exploitation of deposits or underground storage of hydrocarbons shall be regulated by regulation.

Article 29. *Reversal of facilities.*

1. The cancellation or termination of an operating concession shall result in its immediate reversal to the State which may require the operator to dismantle the operating facilities.
In the event that dismantling is not requested, they shall revert to the State free of charge the wells, permanent operating and maintenance equipment and any stable work permanently incorporated into the operation.
2. The administration may authorise the holder of an operating concession and at its request the use of installations of any kind and stable works situated within the concession of exploitation and permanently incorporated into the exploitation work and which, in accordance with the provisions of this Article, revert to the State, if, at the time of the reversal, they are used for the service of operating concessions or research permits of the same holder, under the conditions laid down by regulation.

Article 29a - *Adaptation of operating concessions.*

The procedure for adapting a concession for the exploitation of natural resources or a concession for the exploitation of hydrocarbon deposits to an underground storage concession shall be laid down by regulation.

CHAPTER IV

Of the Authority and Jurisdiction

Article 30. *Jurisdiction.*

Holders of exploration authorisations, research permits or exploitation concessions shall, in all matters arising in relation to them, submit to Spanish laws and courts.

Article 31. *Administrative inspection.*

1. The Ministry of Industry and Energy, or the competent body of the Autonomous Community in the research permits it grants when it concerns its territorial scope, may, at any time, inspect all the works and activities regulated in this Title, in order to verify compliance with the obligations incumbent on the holders.
2. The Ministry of Industry and Energy, or the competent body of the Autonomous Community in the authorisations and research permits it grants when it concerns its territorial scope, may request that the annual accounts be submitted by the holders of permits and concessions, and may require that the accounts be duly

audited, as well as the conduct of additional audits on those matters deemed necessary to operate hydrocarbons in the national territory of the undertaking concerned.

Article 32. *Activities in the sea subsoil.*

The activities covered by this Title carried out in the subsoil of the territorial sea and on the other seabeds under national sovereignty shall be governed by this law, by the legislation in force on coasts, territorial sea, exclusive economic zone and continental shelf, and by international agreements and conventions to which the Kingdom of Spain is a party.

Where activities take place in these areas, whether or not they affect land areas, prior report from the Autonomous Community concerned shall be required in the procedure for granting the exploitation of deposits and underground storage of hydrocarbons.

CHAPTER V

Of nullity, expiration and extinction

Article 33. *Nullity of authorisations, permits and concessions.*

1. The authorisations, permits and concessions referred to in this Title shall be void where they are granted in contravention of the provisions of this Law.

2. Permits and concessions that overlap others already granted shall be null and void. Nullity shall only affect the overlapping extension when the remaining permit or concession area is sufficient to meet the conditions laid down in this Title.

Article 34. *Extinction.*

1. The authorisations, permits and concessions provided for in this Title shall cease:

- a) For non-compliance with the conditions of its granting.
- b) By expiration at the end of their periods.
- c) By resignation in whole or in part of the holder, once the conditions under which they were granted have been fulfilled.
- d) For the dissolution or liquidation of the holding company.
- e) For any other reasons established by law.

2. Upon termination of a permit or grant, the security or part thereof shall be returned to the holder in the event of partial termination, unless it is enforced in accordance with the provisions of Article 21 of this Law.

3. Where an operating concession expires on expiry of its term and is the subject of an invitation to tender for subsequent award, preference shall be given to acquire it, on equal terms, by the losing concessionaire.

Article 35. *Paralysing the file.*

1. Where the processing of a file is stalled for reasons attributable to the applicant, the competent authority shall notify the applicant that, after three months, it will be time-barred, and in the case of a permit to investigate or grant exploitation, as well as its extensions, the holder shall forfeit the security or security lodged to the competent authority.

2. Where the file is stopped or the work is suspended for reasons not attributable to the holder, the permit or grant shall be extended for the duration of the permit. During that period of cessation or suspension, no fee or fee shall be payable or the maintenance of the investment plan provided for under the conditions laid down by regulation.

Article 35a - *Regime of administrative silence and notifications.*

1. In proceedings initiated at the request of the person concerned concerning matters covered by this Title, the expiry of the maximum period without having been notified of the express decision terminating them shall legitimise the interested party or interested parties who have deducted the application or submitted tenders in order to understand them rejected by administrative silence, with the exception of the plans referred to in Articles 22(1) and 25(3) of this Law.

2. In such procedures, only the personal notification of administrative acts and decisions that may be taken to applicants themselves, to those who have submitted competing tenders and, where appropriate, to the operator(s) of the permits, authorisations or concessions shall be required. Such acts and decisions shall also be published in accordance with the formalities laid down in Article 60 of Law 30/1992 of 26 November 1992, the publication of which shall replace notification in relation to any other interested party.

Article 36. General regulations.

The provisions of this Chapter are without prejudice to the provisions of the legislation governing the common administrative procedure and the administrative provisions implementing it. However, the provisions laid down in Article 35a concerning the system of administrative silence and notifications shall, in any event, have preferential application, the said legislation being of only supplementary application.

TITLE III

Market organisation for petroleum products

CHAPTER I

General provisions

Article 37. Regime of activities.

1. The activities of refining petroleum crude, transporting, storing, distributing and selling petroleum products, including liquefied petroleum gases, may be carried out freely under the terms laid down in this Law, without prejudice to any obligations arising from other provisions, the relevant sectoral legislation and, in particular, fiscal legislation, those relating to spatial planning and the environment and the protection of consumers and users.

2. The import, export and intra-Community trade of crude oil and petroleum products shall be carried out without conditions other than those arising from the application of Community legislation, without prejudice to the applicable tax rules.

Article 38. Prices.

The prices of petroleum products shall be free.

CHAPTER II

Liquid hydrocarbons

Article 39. Refining.

1. The construction, commissioning or closure of refining facilities shall be subject to prior administrative authorisation under the terms laid down in this Law and its implementing provisions.

The administrative authorisation to close a refining plant may impose an obligation on its operator to decommission it.

The transfer or substantial modification of these installations shall be communicated to the granting authority of the original authorisation.

2. In order to obtain such authorisations, applicants must demonstrate the following points:

- a) The technical and safety conditions of the proposed installations.
- b) Adequate compliance with the conditions for the protection of the environment.
- c) The suitability of the site of the installation to the spatial planning scheme.

3. The authorisations referred to in this Article shall be regulated and granted by the Ministry of Industry and Energy, in accordance with the principles of objectivity, transparency and non-discrimination.

Article 40. Transportation and storage.

1. The construction and operation of facilities for the transport or storage of petroleum products, where the latter are intended to provide services to operators referred to in Article 42 of this Law, shall be subject to prior administrative authorisation under the terms laid down in this Law and in its implementing provisions.

The transfer or closure of these installations shall be communicated to the authority granting the original authorisation.

2. Applicants for authorisation for transportation facilities or storage facilities for petroleum products shall demonstrate the following:

- a) The technical and safety conditions of the proposed installations.
- b) Adequate compliance with the conditions for the protection of the environment.
- c) The suitability of the site of the installation to the spatial planning scheme.

3. The authorisations referred to in this Article shall be regulated and granted by the competent

administration, in accordance with the principles of objectivity, transparency and non-discrimination, taking into account the planning criteria arising from Article 4 of this Law.

Article 41. *Third party access to transport and storage facilities.*

1. Operators of fixed facilities for the storage and transport of petroleum products, authorised in accordance with the provisions of article 40 of this Act, shall grant third parties access by negotiated procedure, under non-discriminatory, transparent and objective technical and economic conditions, at prices which they must make public. The Government may establish tolls and access conditions for island territories and those areas of the national territory where alternative transport and storage infrastructure is not available or considered insufficient.

Operators of fixed facilities for the storage and transport of petroleum products which, in accordance with the provisions of the preceding paragraph, are required to allow third parties access, shall fulfil the following obligations:

a) To inform the National Energy Commission of requests for access to its installations, the contracts they sign, the list of prices for the use of those installations, as well as any amendments thereto within a maximum period of one month. The National Energy Commission shall publish this information in accordance with the eleventh additional provision. Third. Third. 4 of this law.

b) Submit to the National Commission for Markets and Competition the tariff methodology applied including the different types of discounts applicable, the system of third-party access to its facilities and the annual investment plan, which will be published in the form determined by the National Commission for Markets and Competition. The National Markets and Competition Commission may make recommendations to this tariff methodology. The National Markets and Competition Commission will issue an annual report to the Ministry of Industry, Energy and Tourism with its observations and recommendations on these methodologies as well as the degree of compliance with its recommendations from previous years.

c) Publish up-to-date the available capacity of its facilities, the contracted capacity and its duration over time, the actual capacity used, the recorded physical and contractual congestions, as well as the planned extensions, improvements and changes and their timetable for entry into operation. The National Energy Commission will monitor the frequency with which contractual congestion occurs that make users unable to access these facilities despite the physical availability of capacity.

d) In their management, they shall avoid any conflict of interest between shareholders and users of the services and shall observe, in particular, the obligation of equal treatment of all users of the services of the activity, irrespective of whether or not they are shareholders of the company.

The National Energy Commission shall establish by circulating the procedure for communicating disputes that may arise in the negotiation of contracts and in requests for access to transport or storage facilities. It shall also resolve, within a maximum period of three months, any disputes brought before it with regard to applications and contracts relating to third parties' access to such facilities for the transport or storage of petroleum products which must allow access by third parties.

2. Where the applicant for access has an obligation to maintain minimum security stocks in accordance with Article 50 of this Law, he may request the provision of the storage service for such stocks, to be granted on the basis of the operational use contracted. If there is no capacity available to all claimants of the service, the existing capacity shall be assigned on a proportionality basis.

3. The right of access to transport and storage facilities shall be available to wholesale operators, as well as to consumers and traders of petroleum products which are determined by regulation on the basis of their annual level of consumption.

4. Operators of installations may refuse access to third parties in the following cases:

- a) There is no capacity available during the contractual period proposed by the potential user.
- b) The applicant is not aware of the payment of obligations arising from previous uses.

5. Access to the network may also be refused if the applicant undertaking or the undertaking to which it purchases the product, directly or through agreements with other supplying undertakings, or those to which any of them is linked, resides in a country in which similar rights are not recognised and considers that the principle of reciprocity may be altered for undertakings to which access is required. This is without prejudice to the criteria to be followed in respect of companies from Member States of the European Union in accordance with the uniform legislation on the matter to be established.

Article 42. *Wholesale operators.*

1. Wholesale operators shall be those who place petroleum products on the market for subsequent retail distribution. In any case, owners of refineries and biofuel production plants shall have such consideration.

2. Commercial companies which fulfil the conditions for carrying out the activity laid down by regulation, including sufficient technical capacity of the applicant and who are aware of the fulfilment of their tax obligations, may act as wholesale operators only.

In any case, these companies must inform the Ministry of Industry, Tourism and Trade, which in turn shall inform the National Energy Commission and the Corporation of Strategic Reserves of Petroliferous Products, of the start or cessation of the activity, accompanied by the communication of a responsible declaration regarding compliance with the conditions referred to in the preceding paragraph.

Wholesale operators must prove compliance with these conditions if required by the Ministry of Industry, Tourism and Trade or the National Energy Commission.

Any event involving a change in any of the particulars included in the original declaration shall be communicated by the data subject within a maximum of one month from the time of its occurrence.

The National Energy Commission will publish on its website a list of the wholesale operators of petroleum products including those companies that have notified the Ministry of the exercise of this activity.

3. If a wholesale operator of petroleum products fails to fulfil any of the conditions required for the exercise of its activity, the Minister for Industry, Energy and Tourism may, after conducting a procedure guaranteeing the hearing of the person concerned, declare that the authorisation to act as a wholesale operator of petroleum products is terminated.

In the context of that procedure and in the light of the circumstances in each case, the necessary interim measures may be adopted to ensure the effectiveness of the decision, including the temporary disqualification of the capacity to act as a wholesale operator of petroleum products.

Article 43. *Retail distribution of petroleum products.*

1. The activity of retail distribution of petroleum products shall comprise at least one of the following activities:

- a) The supply of fuels and fuels to vehicles in approved facilities.
- b) The supply to fixed installations for consumption in the installation itself.
- c) The supply of kerosene for aviation.
- d) The supply of fuel to vessels.
- e) Any other supply intended for the consumption of these products.

Provided that they carry out any of the above activities, distributors may supply other retail distributors of petroleum products. In this case, they must be entered in advance in the register of excise duties, in accordance with the provisions of Article 18(7) of Law 38/1992 of 28 December 1992 on excise duties and its implementing legislation.

2. The activity of retailing fuel and petroleum fuels may be exercised freely by any natural or legal person.

The installations used for the exercise of this activity must comply with the control acts required for each type of installation, in accordance with the additional technical instructions establishing the technical and safety conditions of these installations, as well as comply with the other regulations in force applicable in each case, in particular those concerning metrology and metrotechnics and the protection of consumers and users.

Regional administrations, in the exercise of their powers, must ensure that control acts affecting the establishment of these retail fuel supply facilities are integrated into a single procedure and before a single instance. To this end, they shall regulate the procedure and determine the competent regional or local body before which it is to be carried out and, where appropriate, decide on it. This procedure shall coordinate all administrative formalities necessary for the implementation of such facilities on the basis of a single project.

The maximum time limit for resolving and notifying the decision shall be eight months. The expiry of that period without having been expressly notified shall have prima facie effects, as set out in Article 43 of Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administrations and the Common Administrative Procedure.

Spatial or urban planning instruments may not regulate technical aspects of installations or require specific technology.

Land uses for individual or grouped commercial activities, shopping malls, shopping parks, vehicle testing establishments and industrial areas or sites shall be compatible with the economic activity of retail fuel supply facilities. These installations shall also be compatible with those uses which are suitable for the installation of activities with similar levels of hazard, waste or environmental impact, without expressly specifying the qualification of fit for a service station.

The provisions of the preceding paragraphs are without prejudice to the provisions of Law 25/1988 of 29 July 1988 on Roads and its implementing rules.

3. Exclusive supply agreements to be concluded between wholesale operators and owners of vehicle supply facilities shall, if requested by those owners, collect the firm sale of those products.

Undertakings which distribute or retail fuel and petroleum fuels shall require the operators of fixed reception facilities for consumption at the facility to document and certify compliance with their obligations.

Where, by virtue of the contractual links of exclusive supply, installations for the supply of fuel or fuel to vehicles are supplied by a single operator having its brand image in the installation, the installation shall be entitled, without prejudice to the other powers provided for in the contract, to establish appropriate inspection or monitoring systems for the control of the origin, volume and quality of fuels delivered to consumers and to verify that they correspond to those supplied to the installation.

Operators shall report to the competent authorities if they find any deviations which could constitute evidence of fraud to the consumer and of any refusal to check.

In such cases, the competent authority shall take the necessary measures to ensure the protection of the interests of consumers and users.

4. The inspection and monitoring of wholesale operators, as referred to in the previous paragraph, shall be carried out by means of a procedure which ensures that the owners or managers of the installation can compare the tests carried out by both parties.

5. Operators of facilities for the retail distribution of petroleum products which do not belong to the distribution network of a wholesale operator may report the origin of the fuel they market by advertising the wholesale operator from which they purchase the fuel.

Article 43a - Limitations to contractual links of exclusive supply.

1. Contractual exclusive supply links shall comply with the following conditions:

a) The maximum duration of the contract shall be one year. This contract shall be extended by one year automatically for a maximum of two extensions, unless the retail distributor of petroleum products declares its intention to terminate it at least one month before the date of termination of the contract or of any of its extensions.

b) They shall not contain exclusive clauses which, individually or jointly, fix, recommend or affect, directly or indirectly, the price of the fuel sold to the public.

c) They may not contain exclusivity clauses as regards the provision of electric charging services to vehicles.

2. Contractual terms which provide for a different duration of the contract than that referred to in paragraph 1 or which determine the selling price of the fuel by reference to a fixed, maximum or recommended price, or any other clauses which contribute to an indirect fixing of the selling price, shall be deemed null and void.

3. Wholesale operators will inform the Directorate General of Energy Policy and Mines of the subscription of such contracts, including the date of their termination, which will be published on the official website of the Ministry of Industry, Energy and Tourism. The Directorate-General for Energy Policy and Mines may at any time request a copy of these contracts.

4. The provisions of this Article, with the exception of paragraph 1(c), shall not apply where the contract goods or services are sold by the buyer from premises and land which are wholly owned by the supplier.

Article 44. Register of retail distribution facilities.

1. The Autonomous Communities shall set up a register of retail distribution facilities in which all installations carrying out this activity in their territory must be included, subject to proof of compliance by those facilities with the legal and regulatory requirements that may be required, as well as the plans to open new service stations and their processing status.

2. A register of retail distribution facilities is established in the Ministry of Industry, Tourism and Trade to enable the exercise of the powers of the General State Administration. Based on this register and the information on sales prices of fuels, the Ministry of Industry Tourism and Trade will create a database to which the Autonomous Communities can access.

3. The Autonomous Communities shall include in the register of the Ministry of Industry, Energy and Tourism, within a maximum period of one month from the date of registration, registration, decommissioning, modification or opening project, the data relating to these points with their corresponding dates, the detailed description of the installation to which they relate, including its storage capacity, the relative data of its location and its operator, in relation to:

a) Facilities capable of supplying fuels and fuels to vehicles.

b) Supply facilities to fixed installations for consumption in the installation itself.

c) Installations for the supply of kerosene for aviation.

- d) Installations for supplying fuel to vessels.
- e) Projects for the opening of new facilities capable of supplying fuels and fuels to vehicles and processing status.

The Ministry of Industry, Energy and Tourism shall establish, in cooperation with the Autonomous Communities, the form of incorporation of the information into the database and the conditions and form of access to information.

Article 44a - Activities related to the supply of liquefied petroleum gases.

1. Liquefied petroleum gases, hereinafter referred to as LPG, for the purposes of this Law are fractions of light hydrocarbons obtained from crude oil or natural gas, mainly propane and butane.
2. The activities related to the supply of LPG are as follows: Production, acquisition, intra-Community trade, import and export; Storage, mixing and packaging; Transport; Wholesale marketing; Retail marketing; Installation, maintenance and overhaul of installations related to the supply of LPG.
3. LPG may be supplied in the form of packaging and in bulk, the latter modality includes the distribution or supply of LPG by pipeline, understood as the distribution and supply of LPG from one or more tanks per pipeline to more than one point of supply, the delivery of which is made to the customer in a gas phase, and the consumption of which is measured by meter for each of the consumers.
4. 'Wholesale supply' means a supply which does not involve supply to a consumer or end-user.
5. 'Retail supply' means sales to consumers or end-users.
6. The rights and obligations of subjects engaged in activities related to the supply of liquefied petroleum gases shall be regulated by regulation.

CHAPTER III

Liquefied petroleum gases

Article 45. Wholesale LPG operators.

1. Wholesale LPG operators are those commercial companies carrying out the activities of storage, mixing and packaging, transport and wholesale of LPG.
2. Only those companies which fulfil the conditions for carrying out the activity laid down by regulation, which shall include sufficient technical capacity of the applicant, may act as wholesale LPG operators.
In any case, these companies must inform the Ministry of Industry, Tourism and Trade, which in turn shall inform the National Energy Commission and the Corporation of Strategic Reserves of Petroliferous Products, of the start or cessation of the activity, accompanied by the communication of a responsible declaration regarding compliance with the conditions referred to in the preceding paragraph.
Wholesale LPG operators must prove compliance with these conditions if required by the Ministry of Industry, Tourism and Trade or the National Energy Commission.
Any event involving modification of any of the particulars included in the original declaration and the cessation of activity shall be communicated by the person concerned within a maximum period of one month from the time of its occurrence.
The National Commission for Markets and Competition will publish on its website a list of LPG wholesale operators that will include those companies that have communicated to the Ministry the exercise of this activity, eliminating those that have ceased their activity.
3. Persons engaged in this activity shall have at the disposal of LPG retailers and, where appropriate, their customers, a permanent technical assistance service at their users' facilities to ensure their proper functioning.
4. Wholesale operators shall require the retail marketers of LPG and the operators of LPG installations or, where applicable, the users to whom they supply, to provide documentation proving that their facilities comply with the technical and safety conditions required by regulation.
5. Without prejudice to the provisions of Article 6 of this Law, the activities referred to in this article may be carried out freely, and communication to the Ministry of Industry, Energy and Tourism is not necessary when they concern packaging with a capacity of not more than 8 litres.
6. Wholesale LPG operators shall establish and maintain up-to-date liability insurance or other financial guarantees in order to cover the risks to persons or property that may arise from the activities carried out and in a sufficient amount in order to be liable for any damage caused.

Article 46. Wholesalers of liquefied petroleum gases in bulk.

1. The retailer of LPG in bulk shall be companies engaged in the storage, mixing, transport and retailing of LPG in bulk.

2. Companies which fulfil the conditions for carrying out the activity laid down by regulation, which shall include sufficient technical capacity of the applicant, may act as retail traders of LPG in bulk.

In any case, these companies shall inform the Ministry of Industry, Tourism and Trade, which shall inform the National Energy Commission and the Corporation of Strategic Reserves of Petroliferous Products of the start or cessation of the activity, accompanied by the communication of a responsible statement regarding compliance with the conditions referred to in the preceding paragraph. They will also send a copy of the authorisations for the construction, modification or closure of LPG distribution facilities to the Ministry of Industry, Tourism and Trade.

Wholesalers of LPG in bulk must prove compliance with these conditions if required by the Ministry of Industry, Tourism and Trade or the National Energy Commission.

Any event involving modification of any of the particulars included in the original declaration and the cessation of activity shall be communicated by the person concerned within a maximum period of one month from the time of its occurrence.

The National Markets and Competition Commission will publish on its website a list of liquefied petroleum gas retailers that will include those companies that have informed the Ministry of the exercise of this activity, eliminating those that have ceased.

3. Undertakings supplying LPG in bulk shall require the operators of the installations or, where applicable, consumers with documentation proving that their facilities comply with the technical and safety conditions required by regulation.

4. In any event, the activity of supplying vehicles from fixed retail distribution facilities of petroleum products, without prejudice to the provisions of Article 6 of this Law, may be carried out freely, and communication to the Ministry of Industry, Tourism and Trade is not necessary.

5. The retailer of LPG in bulk must supply any applicant with it, provided that the place where the gas is to be delivered is within the province of operation of the marketer. Bulk LPG delivery times shall be governed by contractual terms between supplier and user.

Retailers of LPG in bulk by pipeline shall supply any applicant with the same, provided that the place where the delivery is to be made is covered by the channelling network owned by the marketer.

6. Retail marketers of LPG in bulk shall establish and maintain up-to-date liability insurance or other financial guarantees in order to cover the risks to persons or goods which may arise from the activities carried out and in sufficient amount to be liable for any damage caused.

Article 46a - Bulk LPG installations.

1. They shall require prior administrative authorisation, under the terms laid down in this Law and its implementing provisions, for the construction, modification, operation and closure of bulk LPG storage and distribution facilities, and for the necessary pipelines for supply from previous storage to final consumers.

The transmission of these facilities shall be authorised by the competent administration.

The administrative authorisation to close an installation may impose an obligation on the operator to decommission the installation.

2. The following installations may be freely carried out without any requirements other than those relating to compliance with technical, safety and environmental requirements:

a) Those listed in the previous paragraph where their object is own consumption and cannot supply to third parties.

b) The storage, distribution and supply of LPG by a user or the users of the same housing block.

3. No administrative authorisation shall be required for the projects of installations necessary for national defence considered to be of military interest, in accordance with Law 8/1975 of 12 March on areas and facilities of interest to the national defence, and its implementing regulations.

4. Applicants for authorisations for gas installations referred to in paragraph 1 shall provide sufficient evidence of compliance with the following requirements:

a) The technical and safety conditions of the proposed installations.

b) Adequate compliance with the conditions for the protection of the environment.

c) The suitability of the site of the installation to the spatial planning scheme.

d) Its legal, technical and economic and financial capacity to carry out the project.

5. The authorisations referred to in paragraph 1 of this Article shall be granted by the competent administration, without prejudice to such concessions and authorisations as may be necessary, in accordance with other applicable provisions, the relevant sectoral legislation, in particular those relating to spatial planning and the environment, considering the desirability of designing and constructing compatible installations for the

distribution of natural gas.

The authorisation procedure shall include the public information procedure and the form of termination in the event of two or more applications for authorisation.

Granted authorisation and for the purpose of ensuring compliance with its obligations, the operator shall provide a guarantee of two per cent of the budget of the installations.

Failure to expressly resolve the applications for authorisation referred to in this Article shall have the effect of rejecting it. In any case, an ordinary appeal may be lodged with the relevant administrative authority.

6. Authorisations for distribution installations shall contain all the requirements to be observed in their construction and operation, the delimitation of the area in which the supply is to be provided, the commitments to expand the network in that area to be undertaken by the applicant undertaking and, where appropriate, the time limit for the implementation of those facilities and their characterisation.

7. Failure to comply with the conditions, requirements set out in the authorisations or the substantial variation in the budgets that determined their granting may result in their revocation.

The competent authority shall refuse authorisation if the requirements laid down by law are not met or the undertaking does not guarantee the legal, technical and economic capacity necessary to undertake the proposed activity.

8. The operators of the bulk LPG distribution facilities shall apply to the licensing authority for the corresponding authorisation to process them for use with natural gas, and must comply with the technical safety conditions applicable, subject in all cases to the regulatory provisions in force for natural gas distribution facilities.

9. Regulatorily, the obligations and rights of operators of installations, as well as those of consumers and traders of LPG in bulk, shall be regulated. The minimum content of the contracts between the users and the owners of the facilities shall also be defined.

10. The operator of installations or, where applicable, the users, shall be responsible for ensuring that their installations comply with the technical and safety conditions required by regulation and for their proper maintenance.

Article 47. Retailers of packaged liquefied petroleum gases.

1. The retailing of packaged liquefied petroleum gases shall be carried out freely.

Installations intended for the storage and placing on the market of packaged liquefied petroleum gas containers must comply with the technical and safety conditions required by regulation.

2. Packaging LPG retailers shall be those natural or legal persons who retail LPG packaging to consumers or end-users.

3. **(Deleted)**

4. Retailers of packaged liquefied petroleum gases may have at the disposal of their customers a permanent technical assistance service for users' consumption facilities.

Article 48. Administrative records.

(Deleted)

CHAPTER IV

Supply Assurance

Article 49. Supply guarantee.

1. All consumers shall have the right to supply petroleum products within the national territory, under the conditions laid down in this Law and in its implementing rules.

2. In situations of shortage of supply, the Council of Ministers may, by agreement, adopt in the field, with such duration and exceptions as may be determined, inter alia, one or more of the following measures:

- a) Limitations on the maximum speed of road traffic.
- b) Restriction of the circulation of any type of vehicle.
- c) Limitation of navigation of ships and aircraft.
- d) Limitation of opening hours and days of facilities for the supply of petroleum products.

e) **(Repealed)**

f) Subject to intervention arrangements for the minimum security stocks referred to in the following Article.

g) Limitation or allocation of supplies to consumers of all types of petroleum products, as well as restrictions on their use.

h) Impose on holders of concessions for the exploitation of hydrocarbons referred to in Title II an obligation to supply their product for domestic consumption.

i) **(Repealed)**

j) Any other measures that may be recommended by the international organisations to which the Kingdom of Spain is a party, which are determined in application of those conventions to which it is a party or those which it has signed to which similar measures are envisaged.

In relation to such measures, the remuneration scheme applicable to activities affected by the measures adopted shall also be determined by ensuring, in any event, a balanced distribution of costs.

Article 50. Minimum security stocks.

1. Any operator authorised to wholesale the distribution of petroleum products in the national territory, and any undertaking engaged in the retail distribution of petroleum fuels and petroleum fuels not purchased from the operators covered by this Law, shall at all times maintain minimum stocks of safety of products as determined by the Government in terms of quantity, types of products, storage place and geographical location, up to a maximum of 120 days of their annual sales, calculated in accordance with the methodology to be established. This maximum may be reviewed by the Government when the international commitments of the Kingdom of Spain so require.

Consumers of fuels and fuels, in the part not supplied by the operators covered by this Law, must also maintain minimum safety stocks in the quantity required by regulation on the basis of their annual consumption.

The above-mentioned minimum security stocks will be considered emergency stocks for the purpose of ensuring Spain's compliance with the international commitments undertaken to guarantee the security of supply of the oil market.

In addition, the various categories of oil reserves, including commercial reserves, will be determined by regulation. The Ministry of Industry, Energy and Tourism may establish specific reserves to ensure security of supply.

2. In the case of liquefied petroleum gases, wholesale operators of this product, as well as marketers or consumers who do not purchase the product from authorised operators or marketers, shall be required to maintain minimum safety stocks for up to 30 days of their annual sales or consumption.

3. For the purposes of calculating minimum security stocks, which will be of a monthly nature, all stocks held by operators and undertakings referred to in the preceding paragraphs shall be taken into account throughout the national territory. Such stocks shall be available and physically accessible to ensure the security of supply on the national market and their verification may be carried out at any time by the competent authority or the Central Storage Entity referred to in Article 52.

4. The necessary administrative procedures and obligations shall be laid down by regulation to ensure that a level of minimum security stocks is maintained on a permanent basis equivalent to at least the largest of the corresponding quantities, either 90 days of average daily net imports or 61 days of average daily internal consumption for the reference year, in oil equivalent.

In addition, reporting obligations may be imposed on entities that, not being subject to the maintenance of minimum security stocks, introduce crude or petroleum products into Spanish territory.

5. Inspection of compliance with the obligation to maintain minimum safety stocks shall be carried out by the Ministry of Industry, Energy and Tourism where the obligated person is a wholesale operator and the regional administrations where the obligation concerns retail distributors or consumers.

The procedure for communication of information between the competent public authority for inspection and the Corporation for Strategic Reserves of Petroleum Products referred to in Article 52 shall be established by regulation.

Article 51. Subjects required to maintain minimum security stocks.

1. The procedure shall be established to ensure that, before 31 May of each year, all persons are aware of the modalities to be applied for calculating the storage obligations in force from 1 January of the following year.

In addition, the amounts of reserves of the obligated subjects that the Corporation must maintain and those other reserves that the Corporation may hold in its favour beyond the mandatory percentages will be established. Where operators wish to exercise this right beyond the obligations laid down, they shall notify them by 30 June of the preceding year.

Persons required to maintain minimum security stocks of petroleum products shall dispose of or lease stocks and provide facilities to the Corporation in such a manner as may be determined by regulation.

The purchase, sale and leasing of reserves, as well as those relating to their storage, shall be subject to standard contracts, the model of which will be approved by the Ministry of Industry, Energy and Tourism.

2. The obliged persons may fulfil their reserve obligations for the benefit of the Kingdom of Spain, under the terms established by regulation, by means of stocks owned by them or at their full disposal under lease agreements, provided that they have not been transferred or leased to third parties in any way, with central

storage entities or economic operators in other Member States of the European Union with storage capacity outside the national territory, and with prior authorisation from the Ministry of Industry, Energy and Tourism. Reciprocally, the form and conditions under which persons bound in other Member States of the European Union and third countries may constitute minimum security stocks on Spanish territory shall be determined.

They may also fulfil their obligations by means of stocks owned by them or at their disposal under lease agreements, provided that they have not been transferred or leased to third parties in any form, with other obligated persons or economic operators with storage capacity in the national territory, and after communication to the Corporation.

3. In any case, the availability of emergency stocks and specific stocks stored on national territory on behalf of another Member State shall be ensured.

Likewise, in the event of a serious interruption of supply, the measures taken by the Kingdom of Spain pursuant to Article 49 of that Law shall not prevent or impede the transfer, use or distribution of emergency stocks and specific stocks stored on behalf of another Member State.

Article 52. Central Storage Entity.

1. The Corporation for Strategic Reserves of Petroleum Products, in its capacity as Central Storage Entity, shall have as its object the acquisition, establishment, maintenance and management of hydrocarbon reserves, including those of natural gas in the form and amount determined by regulation, the control of the maintenance of the minimum security stocks provided for in this Law, as well as the obligation to diversify supplies of natural gas.

2. Likewise, as a non-profit-making public law corporation, it shall act in the public interest and under private law with its own legal personality. It shall be governed by the provisions of this Law and its implementing provisions. The Corporation shall be subject, in the course of its activity, to the supervision of the General State Administration, which shall exercise it through the Ministry of Industry, Energy and Tourism.

3. Without prejudice to the first paragraph, the Corporation shall perform the following functions:

a) Identification, verification, accounting and control of the reserves defined in this Law and its implementing provisions, including commercial reserves, and must inform the Ministry of Industry, Energy and Tourism, at least on a monthly basis, of the levels of stocks stored by obligated persons and economic operators.

b) Establish a detailed and continuously up-to-date inventory of all emergency stocks stored, excluding, where appropriate, specific stocks. That inventory shall include, in particular, the data necessary to enable it to be able to locate the warehouse, refinery or storage facility in which the stocks in question are located, as well as the quantities, owner and nature in accordance with the categories defined by the mandatory rules of European Union law and applicable at all times. Such data shall be maintained for a period of five years.

At any time, the Ministry of Industry, Energy and Tourism may request such an inventory from the Corporation, which will have a maximum period of ten days for its submission.

Before 31 January of each year, it shall submit to the Ministry of Industry, Energy and Tourism a summary version of that inventory indicating at least the quantities and nature of the emergency stocks included in the inventory at the date of the last day of the previous calendar year.

c) To publish on a permanent basis complete information, classified by product category, on the volumes of reserves which the Corporation will be able to guarantee to obligated subjects, other economic operators or other central storage entities. It shall also publish before 31 May of each year the conditions under which it will offer reserve maintenance services on behalf of the obligated persons.

d) To acquire or sell, on an exclusive basis, any specific reserves which may be established under the mandate of the Ministry of Industry, Energy and Tourism.

e) Establishment, maintenance and management of the reserves of economic operators or obliged subjects under the terms laid down by regulation. Reservations which are at their full disposal under lease contracts may not be transferred or leased to third parties in any way.

f) Calculation and verification of the total levels of oil reserves equivalent and quantities of products permanently maintained by the Kingdom of Spain, calculated both in days of average daily net imports and in days of average daily domestic consumption corresponding to the reference year in accordance with European legislation and the obligations arising from the international treaties to which the Kingdom of Spain is a party.

It must also forward to the Ministry of Industry, Energy and Tourism the statistical relations on hydrocarbons that are established by regulation.

g) Propose to the Ministry of Industry, Energy and Tourism the actions and measures aimed at the implementation and updating of the obligations regarding security of supply of the hydrocarbon market in accordance with the international commitments undertaken by the Kingdom of Spain.

h) Collaborate with the various public administrations in order to provide information, advice and any other

activity regarding those aspects of their competence in the hydrocarbon sector, in particular in reviewing Spain's preparedness and storage of emergency stocks.

i) Those functions relating to the security of supply of the hydrocarbon sector entrusted to it by the Ministry of Industry, Energy and Tourism.

4. The Corporation shall propose to the competent authority the initiation of penalty proceedings where appropriate and inform the General State Administration in any penalty proceedings in which it is requested. To this end, it shall collect the information and carry out such inspections as are necessary to monitor compliance with the obligations of the obligated persons.

5. The Corporation shall be exempt from corporation tax in respect of the income derived from financial contributions made by its members.

Contributions made by members, as far as they contribute to the Corporation's reserves, shall not be tax-deductible for the purpose of determining their corporate tax bases. Such contributions shall be taken into account in order to determine the increases or decreases in assets that are due to the members of the Corporation, by reason of their withdrawal in the same or modification of the amount of their mandatory stocks, in accordance with the regulation of these cases.

The income shown in the transactions referred to in the preceding subparagraph shall not give rise to the deduction for double taxation of dividends in the portion of income not included in the corporation tax base.

Likewise, income that the Corporation may earn as a result of the disposal of strategic stocks, income which cannot be distributed among members, or of loans or similar financial transactions with them, shall be exempt from corporation tax.

6. To ensure compliance with its obligations, the Corporation may purchase and lease crude oil and petroleum products, natural gas and liquefied natural gas and enter into contracts with such limits and conditions as may be determined by regulation. Reservations which are at their full disposal under lease contracts may not be transferred or leased to third parties.

It shall also have access to facilities for the regasification, transport and storage of natural gas and to the organised gas market under the terms laid down in this Law and its implementing regulations for the other parties acting on the market.

Any disposal of strategic stocks by the Corporation shall require the prior authorisation of the Ministry of Industry, Energy and Tourism and must be made at a price equal to the weighted average purchase cost or the market cost, whichever is higher, with the exception specified by regulation. In addition, the Corporation shall account for its stocks at the weighted average cost of acquisition since its inception.

7. Persons required to maintain minimum security stocks of petroleum products, including liquefied petroleum gases, and natural gas, as laid down in this Law and its implementing provisions, as well as those required to diversify supplies of natural gas, shall contribute to the financing of the Corporation by paying the Corporation a unit fee for the quantity of product sold or consumption in the preceding month.

The financial contributions of the obligated parties shall be determined on the basis of the budgeted costs incurred by the Corporation for the fulfilment of the obligations laid down in this Law. Its fixing and amount shall be made by the Ministry of Industry, Energy and Tourism, at the proposal of the Corporation, in accordance with the procedure established by regulation and in no case shall exceed the services provided by the Corporation. In the event of the holding of stocks in favour of the person liable, payment of the instalments may not be required until such time as they are actually incorporated.

Such financial contribution shall enable the Corporation to provide, in accordance with the rules laid down by law, the financial reserves necessary for the proper performance of its activities.

8. Those who are obliged to maintain minimum safety stocks because, in the course of their activity, they are supplied with petroleum fuels and fuels not purchased from the operators covered by this Law, may, under the conditions and cases determined by regulation and depending on the volume of their activities, satisfy the obligation laid down in Article 50 of the Law by paying a quota per tonne of product imported or purchased for consumption, intended to finance the costs of building, storing and maintaining the minimum security stocks established by regulation.

This quota will be determined by the Ministry of Industry, Energy and Tourism at the necessary intervals and will be collected by the Corporation in the manner determined by regulation.

9. The functions of the Corporation shall be carried out by the Government and its organisation and operating regime shall be established. The wholesale operators referred to in Articles 42 and 45 of this Law and the natural gas marketers covered by Article 58 of this Law and representatives of the Ministry of Industry, Energy and Tourism, who shall be appointed from among public employees with proven experience in the energy sector, shall be sufficiently represented in their administrative bodies.

The representatives of the obligated subjects referred to in the preceding paragraph shall be members of the Corporation, shall be part of its Assembly and their vote therein shall be graduated according to the volume

of their annual financial contribution.

The President of the Corporation and the statutory portion of its governing body shall be appointed by the Minister of Industry, Energy and Tourism. The head of such department may impose his veto on agreements of the Corporation which violate the provisions of this Law and implementing provisions.

Article 53. General obligations.

Those who are required under Article 50 of this Law to maintain minimum security stocks, as well as any company providing petroleum product logistics services, are obliged to comply with the guidelines issued by the Ministry of Industry and Energy regarding their facilities and maintenance, safety, product quality and information. They will also be obliged to make available priority supplies identified for reasons of strategy or difficulty in supplying.

TITLE IV

Organisation of fuel gas supply by pipeline

CHAPTER I

General provisions

Article 54. Regime of activities.

1. Activities relating to the manufacture, regasification, storage, transport, distribution and marketing of gaseous fuels may be carried out freely under the terms laid down in this Title, without prejudice to any obligations which may arise from other provisions, in particular those relating to taxation and those relating to spatial planning and the environment and to the protection of consumers and users.

Gaseous fuels for the purposes of this Title:

- a) Natural gas and its specialties liquefied natural gas and compressed natural gas.
- b) Manufactured or synthetic fuel gases, where a distinction can be made between:
 1. ° Mixtures of natural gas, butane or propane with air.
 2. ° Biogas or any other gas obtained from biomass.
 3. ° Any other type of manufactured or synthetic fuel gas or mixture of fuel gas with air.

2. Community import, export and trade in gaseous fuels shall be carried out without any requirements other than those arising from Community legislation.

3. The rules laid down in this Law in relation to natural gas shall also apply, in a non-discriminatory manner, to biogas and gas obtained from biomass or other types of gas, provided that it is technically possible and safe to inject and transport such gases into the natural gas network.

To this end, the compositional requirements of these gases shall be laid down in order to ensure the safety of persons, installations and consumption equipment and the proper preservation of such gases.

Article 55. System of approval of installations.

1. The following installations for the supply of gaseous fuels by pipeline to users shall require prior administrative authorisation under the terms laid down in this Law and provisions to develop it:

- a) Plants for the regasification and liquefaction of natural gas and for the manufacture of manufactured or synthetic fuel gases or for the mixing of combustible gases by air.
- b) Facilities for the storage, transport and distribution of natural gas.
- c) The storage and distribution of manufactured gaseous fuels, synthetic fuels and gas and air mixtures for supply by pipeline.

Installations relating to liquefied petroleum gases shall be governed by the provisions of Title III.

2. The following installations may be freely carried out without any requirements other than those relating to compliance with technical, safety and environmental requirements:

- a) Those listed in the previous paragraph where their object is own consumption and cannot supply to third parties.
- b) Those relating to the manufacture, mixing, storage, distribution and supply of gaseous fuels from a production centre where the gas is a by-product.
- c) The storage, distribution and supply of natural gas by a user or the users of the same housing block.
- d) Direct lines consisting of a natural gas pipeline the exclusive object of which is to connect the

installations of a qualified consumer to the gas system.

3. No administrative authorisation shall be required for the projects of installations necessary for national defence considered to be of military interest, in accordance with Law 8/1975 of 12 March on areas and facilities of interest to the national defence, and its implementing regulations.

Article 56. *Manufacture of combustible gases.*

1. For the purposes laid down in this Law, the production of manufactured or synthetic gaseous fuels, including the mixture of natural gas, butane or propane with air, shall be regarded as the manufacture of combustible gases, provided that they are intended for final supply to consumers by pipeline.

2. The production of combustible gases shall comply with the hydrocarbon planning criteria.

3. With regard to administrative authorisation, the provisions of article 73 of this Law shall apply to him.

Article 57. *Supply.*

1. Consumers shall have the right of access to and connection to natural gas transmission and distribution networks under the conditions laid down in the implementing regulations.

2. Consumers who are determined will have the right to benefit from the supply at prices that will be fixed and revised by the Minister of Industry, Energy and Tourism, after agreement of the Government Delegate Commission for Economic Affairs, and which will be considered as a tariff of last resort. The tariff of last resort shall be the price to be charged by marketers of last resort to consumers entitled to use it.

3. The Minister for Industry, Energy and Tourism may lay down specific supply conditions for certain consumers who, because of their economic, social or supply characteristics, are considered vulnerable customers.

4. The competent administrations, in coordination with the National Energy Commission, shall establish single contact points to provide consumers with all the necessary information concerning their rights, the legislation in force and the means of dispute resolution available to them in the event of disputes.

Article 57a - *Consumer rights in relation to supply.*

Consumers shall have the following rights:

- a) Make gas acquisitions under the terms set out in Chapter II of Title IV of this Law.
 - b) Choose the supplier for the purchase of natural gas.
 - c) Request verification of the proper functioning of the measuring equipment of its supply.
 - d) Have a telephone helpdesk provided by the distributor to which his premises are connected, operating 24 hours a day, to which he may address any security incidents in his premises. That number shall be clearly identified on the invoices and shall in any case be provided by the marketer to the consumer.
 - e) Have a contract with the marketer specifying:
 1. ° the identity and address of the supplier,
 2. ° the services provided, the level of quality proposed and the deadline for the initial connection,
 3. ° the type of maintenance service offered,
 4. ° how to obtain up-to-date information on all applicable tariffs and maintenance costs,
 5. ° the duration of the contract, the conditions for the renewal and termination of the services and the contract and, where permitted, withdrawal of the contract at no cost,
 6. ° the compensation and reimbursement agreements applicable if the contracted quality levels are not met, including incorrect and delayed billing,
 7. ° the method of initiating a dispute resolution procedure in accordance with paragraph (j),
 8. ° information on consumer rights, including information on the handling of complaints and all the information referred to in this paragraph (e), clearly communicated through the invoices or websites of natural gas companies; and
 9. ° the conditions shall be fair and shall be made known in advance. In any case, this information must be communicated before the conclusion or confirmation of the contract. Where contracts are concluded through intermediaries, the above-mentioned information shall also be communicated before the conclusion of the contract.
 - f) Be duly advised in a transparent and comprehensible manner of any intention to modify the terms of the contract and be informed of their right to terminate the contract at no cost upon receipt of the notice. They shall also be notified directly by their supplier of any price revisions resulting from the conditions laid down, at least one month before entry into force, in a transparent and comprehensible manner.
- Submissions of price revisions shall include a comparison of the prices charged before and after the review,

as well as an estimate of the annual cost of supply to that consumer and its comparison with the previous annual cost.

g) Receive transparent information on prices, tariffs and general conditions applicable to access to and use of gas services.

h) To be free to choose the payment method, so that there is no undue discrimination between consumers. Advance payment systems shall be fair and adequately reflect likely consumption. Any difference in terms will reflect the costs for the provider of the different payment systems. The general conditions shall be fair and transparent. They shall be explained in clear and comprehensible language and shall not include non-contractual obstacles to the exercise of customers' rights, e.g. excessive contractual documentation. Customers shall be protected against abusive or misleading selling methods.

i) Switch supplier at no cost.

j) Have procedures in place to deal with your complaints. In particular, all consumers will have the right to a good level of service and complaint handling by the gas service provider. Such out-of-court settlement procedures shall allow fair and speedy settlement of disputes, preferably within three months and provide, where justified, for a system of reimbursement or compensation.

Wherever possible, the procedures in question shall comply with Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for the out-of-court settlement of consumer disputes, such as the Consumer Arbitral System.

k) For customers connected to the gas system, be informed of their rights to be provided, in accordance with applicable national law, to natural gas of a certain quality at reasonable prices.

l) Have at your disposal your consumption data and power, through explicit and free agreement, to give access to the measurement data to any registered supply company. The data management party shall be obliged to provide this data to the company, using the formats and procedures developed by regulation. No additional costs may be charged to the consumer for this service.

m) Be adequately informed of the actual gas consumption and related costs as often as regulated, so as to allow them to regulate their own gas consumption. The information shall be provided in sufficient time, taking into account the capacity of the customer's measuring equipment. No additional costs may be charged to the consumer for this service.

n) Receive a settlement of the account after any change of natural gas supplier, no later than six weeks from the date of the change of supplier.

o) Access to facilities owned by third parties, of regasification, storage, transport and distribution, as provided for in Law 34/1998, of 7 October, on the hydrocarbon sector, and regulations that develop it.

CHAPTER II

Natural gas system

Article 58. *Subjects acting in the system.*

Activities aimed at supplying natural gas by pipeline shall be carried out by the following subjects:

a) Carriers are those commercial companies authorised for the construction, operation and maintenance of facilities for the regasification of liquefied natural gas, the transport or basic storage of natural gas.

Transmission system operators are those commercial companies authorised for the construction, operation and maintenance of core system installations and certified in accordance with the procedure laid down in Article 63a. Independent system operators are also considered as transmission system operators.

Independent system operators are those commercial companies that manage backbone installations which they do not own and are authorised for construction, operation and maintenance in accordance with Article 63c.

Transmission system operators may maintain and conclude technical agreements on issues relating to the management of transmission pipelines between Spain and non-European Union countries, provided that such agreements are compatible with the rules of the internal market in natural gas and with the circulars and resolutions of the National Commission for Markets and Competition. Such agreements shall be notified to the National Commission for Markets and Competition.

b) The Technical Manager of the System shall be responsible for the operation and management of the Basic Network and the secondary transmission networks defined in this Law in accordance with the functions set out in Article 64. It shall also be responsible for maintaining the conditions for the normal operation of the system.

c) Distributors are those companies authorised for the construction, operation and maintenance of distribution facilities designed to place gas at the points of consumption.

Distributors may also build, maintain and operate secondary transmission system facilities, with separate

accounts for both activities being kept in their internal accounts in accordance with Article 63.

d) Marketers are commercial companies that, by accessing the facilities of third parties under the terms set out in this Title, acquire natural gas for sale to consumers, other marketers or to carry out international transits. Commercial companies that sell Liquefied Natural Gas (LNG) to other marketers within the gas system or to final consumers are also marketers.

e) Final consumers, who buy gas for their own consumption and have the right to choose a supplier. In the event that they directly access the facilities of third parties, they will be referred to as Direct Market Consumers.

Likewise, undertakings supplying natural gas, biogas or manufactured gases for use as fuel in service stations shall be considered as final consumers for the purposes of this Law, provided that they are supplied to a marketer. Installations intended for this purpose must comply with the technical and safety conditions required by regulation.

f) The Corporation of Strategic Petroleum Products Reserves, which will be the entity that has as its object the establishment, maintenance and management of strategic natural gas stocks in the part determined by regulation.

g) The Operator of the organised gas market in accordance with the provisions of Article 65b of this Law and the conditions laid down by regulation.

Article 59. Gas system and basic network of natural gas.

1. The gas system shall comprise the following installations: those included in the core network, secondary transmission networks, distribution networks, non-core storage and other complementary facilities.

2. For the purposes laid down in this Law, the basic natural gas network shall consist of:

a) Primary high-pressure natural gas pipelines. The maximum design pressure of 60 bar or more shall be considered as such, differing between:

1. ° Backbone network: Interconnected primary transport pipelines essential for system operation and security of supply excluding the part of primary transport pipelines used primarily for the local supply of natural gas. In any case, international connections of the Spanish gas system with other systems, connections with natural gas deposits inside or with basic storage, connections to regasification plants, compression stations and auxiliary elements necessary for their operation shall be considered.

2. ° Local influence network: Transport pipelines used primarily for the local supply of natural gas.

b) Liquefied natural gas regasification plants that can supply the gas system and natural gas liquefaction plants.

c) The basic storage of natural gas, which can supply the gas system.

3. Secondary transmission networks are made up of the maximum pressure pipelines of a design of between 60 and 16 bar.

4. Distribution systems shall comprise pipelines with a maximum design pressure equal to or less than 16 bar and those which, irrespective of their maximum design pressure, are intended to drive the gas to a single consumer from a basic network or secondary transport pipeline.

5. Non-basic natural gas storage structures are subsoil natural gas storage structures and surface installations that are required, on a temporary or permanent basis, for the development of the operation of underground natural gas storage, including pipelines connecting the storage to the core natural gas network. Such installations shall be excluded from the remuneration scheme of the natural gas system.

Article 60. Operation of the system.

1. Regasification, basic storage, transport and distribution are regulated activities, the economic and operational arrangements of which shall be in accordance with the provisions of this Law.

2. Without prejudice to the provisions for suppliers of last resort, the marketing activity shall be carried out under free competition, in accordance with the provisions of this Law and its provisions, and its economic regime shall be determined by the conditions agreed between the parties.

3. Third-party access to core network facilities and transmission and distribution facilities is guaranteed under technical and economic conditions to be determined. The price for the use of these facilities will be determined by the toll, fee and charge.

4. Unless expressly agreed otherwise, the transfer of ownership of the gas shall be deemed to have taken place at the time when it enters the buyer's premises.

5. The activities for the supply of natural gas that take place in the island and extra-penisland territories will be subject to a unique regulatory regulation, after agreement with the Autonomous Communities and Cities concerned and will take into account the specificities arising from their territorial situation.

Article 61. *Incorporation of natural gas into the system.*

1. Natural gas may be incorporated into the system:
 - a) The marketers.
 - b) Direct Consumers in the Market.
 - c) Carriers for the minimum level of filling of LNG tanks, transmission pipelines, storage and distribution networks, and for any other function that is regulated by regulation that does not have as its ultimate purpose the supply.
 - d) The Technical System Manager for any function that is established by regulation that does not have as its ultimate purpose the supply.
 - e) The Corporation of Strategic Petroleum Products Reserves for its function of building, maintaining and managing strategic natural gas stocks.
2. Persons authorised to acquire natural gas shall have the right of access to regasification, storage, transport and distribution facilities under the terms established by the implementing regulations.

In the case of access to regasification, basic storage, transport and distribution facilities, access shall be regulated.

In the case of non-core storage, access shall be negotiated and the criteria for access to facilities which shall be transparent, objective and non-discriminatory shall be laid down by regulation. Such installations shall be excluded from the remuneration scheme of the natural gas system.
3. Individuals who wish to exercise their right as Direct Consumers in the Market must inform the Ministry of Industry, Tourism and Trade, which in turn will inform the National Energy Commission and the Corporation of Strategic Reserves of Petroliferous Products.
4. No subject or subjects belonging to the same group of companies in accordance with Article 42 of the Commercial Code acting in the natural gas sector as a whole may provide natural gas for consumption in Spain in excess of 70 % of the national consumption.

For the purposes of calculating the percentage referred to in the preceding paragraph, self-consuming which may be made shall not be considered.
5. The Government, by Royal Decree, may vary the percentages set out in the previous section, depending on the evolution and the structure of the business sector.

Article 62. *Accounting and information.*

1. Entities carrying out one or more of the activities referred to in Article 58, with the exception of consumers, of this Law shall keep their accounts in accordance with Chapter VII of the Companies Act, even if they are not such in nature.

The Government shall regulate such adjustments as may be necessary in the event that the holder of the business is not a public limited company.

In any event, companies must have a copy of their annual accounts at their head office available to the public.
2. Without prejudice to the application of the general accounting rules, to undertakings carrying out activities referred to in Article 58 of this Law or to companies exercising control over them, the Government may establish for them the accounting and publication of accounts which they consider appropriate, in such a way as to clearly reflect the revenue and expenditure of gas activities and transactions between companies of the same group, in order to avoid discrimination, subsidies between activities other than those and distortions of competition.

In the case of companies which have as their object the carrying out of regulated activities, in accordance with Article 60(1) of this Law, they shall keep in their accounts separate accounts for each of them distinguishing between revenue and expenditure strictly attributable to each of those activities. In addition, independent system operators shall keep in their accounts separate accounts for each managed undertaking, distinguishing the revenue and expenses attributable to such management.

The Technical Manager of the gas system, as well as undertakings carrying out the supply of last resort, shall keep separate accounts showing the expenses and revenues strictly attributable to those activities.

Companies carrying out unregulated gas activities shall keep separate accounts for the production, marketing, other non-gasic activities carried out in Spanish territory and all other activities carried out abroad.
3. Institutions shall explain in the annual accounts the criteria applied in the cost-sharing of the other entities in the group carrying out different gas activities. In addition, they shall report in the report on the criteria for allocation and allocation of assets, liabilities, expenses and income, as well as the depreciation rules applied.

These criteria shall be maintained and shall not be changed, except in exceptional circumstances. The amendments and their justification shall be explained in the report of the annual accounts for the year in which

they take place.

Information on transactions carried out with the companies of the same business group shall also be included in the annual accounts under the conditions laid down by regulation.

4. Entities operating in the gas system shall provide the competent administration with the information required, in particular in relation to the gas supply and supply contracts they have entered into and their annual accounts to be audited in accordance with the provisions of Royal Legislative Decree 1/2011 of 1 July 2011 approving the consolidated text of the Law on Auditing of Accounts and the provisions implementing it. The audit shall verify in particular that the obligation to avoid discrimination and cross-subsidisation between regulated activities and between regulated activities and liberalised activities is respected.

Where these entities are part of the same business group, the reporting obligation shall also extend to the controlling company which carries out gas business whenever it is active in an energy sector and to those other companies in the group which carry out operations with which it carries out activities in the gas system.

They shall also provide the competent administration with all kinds of information on their activities, investments, quality of supply, measured according to the standards indicated by the administration, markets served and planned in the highest detail, prices incurred and passed on, as well as any other information that the competent administration deems appropriate for the performance of its duties.

5. Institutions shall provide in their annual accounts reports information on activities carried out in the areas of energy saving and efficiency and environmental protection.

6. Companies carrying out regulated activities may not provide loans, provide guarantees or guarantee loans from other companies in the group or related parties engaged in liberalised activities or other activities outside the Spanish natural gas sector. Loans to companies of the same group which have as their object the centralised management of the treasury, without being engaged in liberalised activities or other activities outside the Spanish natural gas sector, are excluded.

Article 63. Separation of activities.

1. Commercial companies which carry out one or more of the regulated activities of regasification, basic storage, transport and distribution referred to in Article 60(1) of this Law must have as their sole object the development of those activities without, therefore, being able to carry out production or marketing activities or take shareholdings in undertakings carrying out these activities.

2. Carriers operating an installation within the core natural gas network as defined in Article 59(2) shall have as their sole corporate object in the gas sector the transport activity defined in Article 58(a), which may include among their assets pipelines in the secondary transmission network, and must keep separate accounts in their internal accounts for regasification, storage and transport activities.

3. Undertakings which own installations belonging to the gas pipeline backbone network shall operate and operate their own systems or transfer their management to an independent system operator in the cases provided for in this Law.

Transmission system operators shall comply with the following conditions:

a) No natural or legal person shall have the right to:

1. To exercise direct or indirect control over an undertaking carrying out production or supply activities and to exercise control, directly or indirectly, or to exercise rights over a transmission system operator or the backbone of pipelines.

2. To exercise direct or indirect control over a transmission system operator or a backbone transmission system and to exercise control, directly or indirectly, or to exercise rights in an undertaking performing any of the functions of production or supply.

b) No natural or legal person shall have the right to appoint the members of the administrative body of a transmission system operator or a backbone system and, directly or indirectly, to exercise control or exercise rights in an undertaking performing any of the functions of production or supply.

c) No natural or legal person shall have the right to be a member of the administrative body, simultaneously in an undertaking performing any of the functions of production or supply and of a transmission system or transmission system operator.

The rights referred to in points (a) and (b) above shall include in particular:

1. ° The power to exercise voting rights.

2. ° The power to appoint members of the administrative body or bodies legally representing the undertaking.

3. ° The possession of a majority part in accordance with Article 42.1 of the Commercial Code.

For the purposes of paragraph 3(a), the concept of “undertaking carrying out any of the production or

marketing functions” shall also include those performing the generation or supply activities in the electricity sector and in the term “transmission system operator” to the electricity system operator or transmission system operator.

Notwithstanding the above, those hauliers, which owned backbone installations prior to 3 September 2009 and which, as part of a group of undertakings to which companies engaged in production or marketing activities do not comply with the previous subparagraph, may choose to maintain ownership of the backbone installations provided that they transfer their management to an independent system operator under the conditions laid down in Article 63c.

4. Without prejudice to paragraph 3 for undertakings which own installations in the gas backbone network, a group of companies may carry out activities incompatible with the law, provided that they are exercised by different companies and the following criteria of independence are met:

a) Persons responsible for the management of companies carrying out regulated activities may not participate in organisational structures of the business group which are directly or indirectly responsible for the day-to-day management of production or marketing activities.

b) Groups of companies shall ensure the independence of persons responsible for the management of companies carrying out regulated activities by protecting their professional interests. In particular, they shall lay down guarantees as regards their remuneration and termination.

Companies carrying out regulated activities and persons responsible for their management as determined may not hold shares in companies carrying out production or marketing activities.

Similarly, in relation to regulated activities, persons responsible for the management of companies carrying out distribution activities may not participate in organisational structures of the business group which are directly or indirectly responsible for the day-to-day management of the transport activity, and vice versa.

In addition, companies engaged in regulated activities and their employees may not share commercially sensitive information with the undertakings of the group of companies to which they belong in the case of liberalised activities.

c) Companies engaged in regulated activities shall have effective decision-making power, independent of the group of companies, with respect to assets necessary to operate, maintain, or develop liquefied natural gas regasification facilities, and the transmission, storage, and distribution of natural gas.

However, the group of companies shall have the right to economic supervision and management of the companies concerned and may submit for approval the annual financial plan, or equivalent instrument, and set overall limits on their level of indebtedness.

Under no circumstances may the business group give instructions to companies carrying out regulated activities with regard to day-to-day management, or with regard to particular decisions concerning the construction or improvement of liquefied natural gas regasification assets, and the transport, storage, and distribution of natural gas, provided that the provisions of the annual financial plan or equivalent instrument are not exceeded.

d) Companies carrying out regulated activities shall establish a code of conduct setting out the measures taken to ensure compliance with points (a), (b) and (c) above, which shall be forwarded to the Ministry of Industry, Energy and Tourism and the National Commission for Markets and Competition.

That code of conduct shall lay down specific obligations for employees, and its compliance shall be subject to appropriate supervision and evaluation by the competent person or body designated by the company for that purpose. The compliance assessment officer shall be fully independent and shall have access to all the information of the company and any of its subsidiary companies that it requires for the performance of its functions.

Before 31 March of each year, the person responsible for assessing compliance shall submit a report to the Ministry of Industry, Energy and Tourism and the National Commission for Markets and Competition, which will be published on the company’s website and on that of the aforementioned Commission, indicating the measures taken to comply with the provisions of points (a), (b) and (c) above.

5. Without prejudice to paragraph 1, any acquisition of shareholdings by commercial companies engaged in regulated activities shall require the prior authorisation referred to in the eleventh additional provision of this Law.

6. Distributors forming part of a group of companies engaged in regulated and unregulated activities within the terms laid down in this Law shall not create confusion in their information and in the presentation of their trade mark and brand image with regard to the identity of subsidiaries of their same group engaged in marketing activities, without prejudice to the infringements provided for in the legislation in force in this regard.

Article 63a - *Certification of transmission system operators.*

1. Commercial companies acting as transmission system operators or independent system operators shall be authorised and designated as such by the Minister for Industry, Energy and Tourism at the request of the interested parties.

Transmission system operators, including independent system operators, shall obtain prior certification of compliance with the requirements for business unbundling granted by the National Commission for Markets and Competition in relation to compliance with the requirements for unbundling of activities set out in Article 63(3) and in accordance with the procedure set out in the following paragraphs.

The National Commission for Markets and Competition shall monitor that the company designated as transmission system operator remains in compliance with the requirements set out in Article 63(3).

The designations of transmission system operators shall be notified to the European Commission for publication in the Official Journal of the European Union.

2. Companies intending to be operators of an installation belonging to the backbone network must apply to the National Energy Commission for such certification.

In addition, undertakings that have been certified shall notify the National Energy Commission of any transaction that may require a check of compliance with the requirements relating to the separation of activities, including any circumstances which may result in a person or persons from a non-European Union country taking control of part of the backbone system or of a transmission system operator.

3. The National Energy Commission shall initiate the certification procedure following the request or notification by the undertaking concerned, following a reasoned request from the Ministry of Industry, Energy and Tourism or the European Commission or on its own initiative in cases where it is aware of possible transactions which may or have led to the non-compliance with the requirements for the separation of activities.

4. The National Energy Commission shall, after hearing and on a reasoned basis, adopt a provisional decision on certification no later than four months after the submission of the application or notification. The provisional certification granted shall be considered after the expiry of that period without an express decision.

5. In all cases, the National Energy Commission shall communicate to the European Commission its provisional decision in relation to the certification of the undertaking concerned accompanied by the relevant documentation relating to it, so that it can give its opinion prior to the adoption of the final decision. It will also send a copy of the file to the Ministry of Industry, Energy and Tourism.

If the European Commission fails to deliver an opinion within the time limit laid down in Community legislation, it shall be deemed to raise no objection to the provisional resolution of the National Energy Commission.

6. Within two months of receipt of the opinion issued by the European Commission, or after expiry of the time limits provided for in Community legislation, the National Energy Commission shall decide definitively on certification, in compliance with the decision of the European Commission. That resolution, together with the opinion of the European Commission, should be published in the Official Gazette of the State and in the Official Journal of the European Union. The certification shall not take effect until its publication.

7. At any stage of the procedure, the National Energy Commission and the European Commission may request the carrier or undertakings carrying out production or marketing activities for any information relevant to the fulfilment of the tasks set out in this Article.

The National Energy Commission shall ensure the confidentiality of commercially sensitive information.

Article 63b - *Certification in relation to countries outside the European Union.*

1. Where certification is requested by an undertaking controlled by a person or persons from one or more countries not members of the European Union, the National Energy Commission shall notify the European Commission thereof, as well as any circumstances which may result in a person or persons from one or more third countries taking control of part of the backbone system or of a transmission system operator.

2. The National Energy Commission shall initiate the certification process in accordance with the procedure and deadlines provided for in Article 63a.

In any event, the National Energy Commission shall refuse certification if it has not been demonstrated:

a) that the institution concerned complies with the requirements of Article 63; and

b) the granting of the certification shall not jeopardise the security of energy supply at national and European Union level, taking into account the rights and obligations of Spain and the European Union in respect of that third country, and other data and circumstances specific to the case and the third country concerned.

In the notification of the interim resolution to the European Commission, the National Energy Commission shall request a specific opinion on whether the entity concerned meets the requirements for separation of activities, and whether the granting of the certification will not jeopardise the security of energy supply to the

European Union.

3. Where the final decision differs from the opinion of the European Commission, the National Energy Commission shall communicate and make public, together with that decision, the reasons for the decision.

Article 63c. Independent system operator.

1. Undertakings which own gas pipeline backbone installations which do not comply with the business unbundling requirements laid down in Article 63(3) and which were owners of such installations prior to 3 September 2009, as well as those which, prior to 23 May 2019, owned interconnection facilities with countries not members of the European Union, may choose to transfer their management to an independent system operator.

To this end, they shall propose an independent system operator among the undertakings which have obtained certification of compliance with the requirements for the separation of transmission activities and shall apply to the holder of the Ministry for Ecological Transition and the Demographic Challenge for approval. Such designation shall be subject to the approval of the European Commission and may be refused if the independent system operator does not comply with any of the requirements laid down in this Law and its implementing rules.

2. The independent system operator shall:

a) Demonstrate that it has the necessary human, technical, financial and physical resources to carry out its duties.

b) Have the capacity to comply with the obligations imposed by Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005, including the cooperation of carriers at European and regional level.

3. The functions to be performed by the independent system operator in relation to the backbone installations entrusted to it shall be:

a) Grant and manage requests for access to facilities.

b) Sign contracts and collect tolls for third-party access to facilities.

c) Operate, maintain and develop the transport network in accordance with the mandatory planning provisions of this Law and its implementing regulations.

d) Planning the infrastructure necessary for the proper functioning of the installations they manage, processing the corresponding authorisations and constructing them, provided that the installations are not directly awarded in accordance with the provisions of Article 67(1) of this Law.

e) Take the necessary measures to hed the responsibilities for its functions in relation to the assets the management of which has been transferred to it.

4. Backbone installation owners who have transferred their management to an independent system operator shall:

a) Cooperate and support the independent system operator in the performance of its functions, including the provision of all necessary information.

b) Take the necessary measures to cover the liability arising from its assets, with the exception of the responsibility for the functions of the independent system operator.

c) Finance investments decided by the independent system operator and approved by the National Energy Commission, or give their consent to be financed by any interested party, including the independent system operator. The relevant financing mechanisms must be approved by the National Energy Commission, which must consult the owner of the assets in advance together with other interested parties.

d) Provide the necessary guarantees to facilitate the financing of any extension of the network, with the exception of investments for which the financing of which has been given by any interested party has given its consent.

e) They shall not be competent for the granting and management of third party access to the transferred installations or for the planning of investments.

5. For this purpose, the independent system operator and the owner of the backbone installations shall sign a contract detailing the contractual conditions and responsibilities of each. This contract must be approved by the National Energy Commission.

6. The National Energy Commission shall monitor that the transmission system owner and the independent system operator comply with this Article. For this purpose, it may request such information as it deems necessary for the performance of its functions and carry out inspections, even without notice, of the installations of both the transmission facility operator and the independent system operator.

7. The National Energy Commission shall act as a dispute resolution body between the transmission facility

operator and the independent system operator, where one of them claims it.

CHAPTER III

Technical management of the natural gas system and organised gas market

Article 64. *The Technical System Manager.*

1. The Technical System Manager shall be responsible for the operation and technical management of the Basic and Secondary Transport Network, and shall ensure continuity and security of natural gas supply and proper coordination between access points, storage, transport and distribution.

The System Manager shall exercise its functions in coordination with the different subjects operating or making use of the gas system under the principles of transparency, objectivity and independence.

2. The technical management activities carried out by the System Manager shall be adequately remunerated in accordance with Chapter VII of this Title.

3. The functions of the Technical System Manager shall be the following:

- a) Manage all the installations of the Basic Network of the gas and secondary transport system.
- b) Determine and control the level of guarantee of natural gas supply of the system in the short and medium term.
- c) Foresee in the short and medium term the use of system installations as well as natural gas reserves, according to forecast demand.
- d) Issue the necessary instructions for the proper operation of the natural gas system and its transport in accordance with the reliability and safety criteria to be established. It shall also issue the precise instructions to carriers to adjust the emission levels of natural gas to the demand of the gas system.
- e) Coordinate and modify, where appropriate, facility maintenance plans in such a way as to ensure their operation and availability to ensure the safety of the system.
- f) Establish and control the reliability measures of the natural gas system, as well as the action plans for the replacement of the service in the event of general failures in the supply of natural gas, and coordinate and control their implementation.
- g) Issue operating instructions to transport facilities, including international interconnections.
- h) Develop those other activities related to the above that are appropriate for the operation of the system, as well as any other functions assigned to it by the provisions in force.
- i) Propose to the Ministry of Industry, Tourism and Trade the development of the basic network of natural gas and the extension or extension of storage.
- j) Propose to the Ministry of Industry, Tourism and Trade the emergency plans it deems necessary, detailing the available stocks, their location and their replenishment period, as well as their annual reviews. These plans and their annual reviews shall be approved or amended by the Directorate-General for Energy Policy and Mines.
- k) Give appropriate orders for the operators of the basic network and secondary transmission systems to operate their installations in such a way as to ensure the delivery of gas under the appropriate conditions at the exit points of the system.
- l) In order to carry out and control its performance, the System Manager shall carry out the delivery schedules that are determined by regulation.
- m) Manage natural gas inflows and outlets in the gas system through pipelines, Reception, Storage and Regasification Plants, underground storage and natural deposits.
- n) (Deleted.)
- o) Calculate and apply the daily balance sheet of each subject using the gas network and the operational and strategic stocks of the gas network.
- p) To implement, within the scope of its functions, decisions taken by the Government in implementation of the provisions of this Law.
- q) Collaborate with the Ministry of Industry, Tourism and Trade in the evaluation and monitoring of annual and multi-annual investment plans submitted by operators of natural gas transmission installations.
- r) Prepare a report on the compliance of the various actors in the system and the results of the measures taken by the Government in the face of emergencies. This report shall be made available to the Ministry for Ecological Transition and the National Commission for Markets and Competition.
- s) Provide the Corporation of Strategic Petroleum Products Reserves with the information it may require for the exercise of its function of maintaining strategic natural gas stocks.
- t) Carry out, in coordination with the organised gas market operator, the functions assigned to it by regulation to ensure the proper functioning of that market.

u) Assume the tasks foreseen for the transmission system operator, including the implementation of balancing actions, in Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing the network code on gas balance in transmission systems.

v) To acquire or sell on the organised gas market referred to in Article 65a of this Law the gas necessary for the performance of its functions and, in particular, the acquisitions and sales of gas in order to maintain the system in balance-sheet operations in accordance with the applicable rules.

4. The Technical Manager of the System shall have a representative in the Hydrocarbon Advisory Council of the National Energy Commission and its Standing Committee.

Article 65. Technical management standards for the system.

1. The Ministry for the Ecological Transition and the National Commission for Markets and Competition will approve, within the scope of their competences, the technical management regulations of the system that will aim to promote the correct technical functioning of the gas system and to guarantee the continuity, quality and security of the supply of natural gas, coordinating the activity of all carriers.

2. The Ministry for Ecological Transition will adopt the regulations relating to the following aspects:

a) Mechanisms to ensure the necessary level of supply of natural gas to the system in the short and medium term and the maintenance of minimum security stocks.

b) Coordination procedures to ensure the proper operation and maintenance of regasification, storage and transport facilities, in accordance with the necessary reliability and safety criteria, specifically providing for action plans for the replacement of the service in the event of general failures in the supply of natural gas.

c) The procedure for measures to be taken in the event of emergencies and shortages.

d) Gas quality and measurement requirements.

e) Control procedures for natural gas inflows and outflows to or from the national gas system.

3. The National Commission for Markets and Competition shall regulate the following aspects:

a) The procedure for calculating the daily balance of each subject authorised to introduce natural gas into the system. The system of programming, nominations, renominations and distributions.

b) The procedure for managing and using international interconnections.

c) Loss and self-consumption, the quantities to be retained for each type of installation must be determined.

Article 65a - Organised gas market.

1. For the purposes of this Law, an organised gas market is understood to consist of transactions involving the purchase and sale of natural gas at the virtual point of balance of the transmission and distribution system, through short-term procurement with physical delivery of gas. Short-term procurement shall include at least products with a delivery horizon until the last day of the following month.

The organised market shall also integrate gas purchase and sale transactions or other transactions that are determined by regulation.

Contracts on the organised market shall be made anonymously, freely and voluntarily, in accordance with the provisions of this Law and its implementing regulations.

Regulatory by the Government will regulate the subjects that may operate in this market, the conditions under which they can do so, the characteristics of the products to be negotiated, the virtual point of balance of the transmission and distribution system and the information to be communicated to the Market Operator and the Technical Manager of the System, in order to ensure the proper functioning of the gas system.

This market is constituted as a 'Trade Platform' as defined in Article 10 of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a network code on gas balance in transmission systems.

2. In any case, the following persons may operate on the organised gas market:

a) The operator of the organised gas market which shall be the company responsible for the management of the system of offers for the purchase and sale of gas on the organised market for natural gas.

b) Direct marketers and consumers who will be able to participate through the submission of offers to buy and sell gas.

c) The Technical System Manager.

d) Transporters and distributors.

e) The Corporation of Strategic Reserves of Petroleum Products.

f) Any other subject that carries out gas purchase transactions with the rest of the market participants without access to third-party facilities.

In this case the balance sheet of that subject at the end of the balancing period shall be zero. These subjects

will not need to be marketed as long as they meet the regulatory requirements for market participation. Such operators shall limit their entire activity to the sale of gas to the rest of the market participants.

The gas held by those agents may only be used for the sale purchase referred to above and under no circumstances may it be transferred, or leased with marketers, for the fulfilment of the security stock maintenance obligations.

Article 65b. Organised gas market operator.

1. The operator of the organised gas market assumes the management of the system of offers for the purchase and sale of natural gas in the natural gas market under the terms and with the functions that are established by regulation.

In any case, the functions of the market operator shall be:

- a) The receipt of offers for sale and acquisition issued by the various parties participating in the organised market. The market operator shall publish on the market procurement platform the prices and volume of offers for sale and acquisition in an anonymous manner.
- b) The receipt of any appropriate guarantees. The management of these guarantees may be carried out directly or through authorised third parties.
- c) The matching and determination of the prices of the various products resulting from marriages on the organised market.
- d) The communication to the interested parties of the results of the appeal of the tenders.
- e) The publication of the prices and volumes traded for each of the products.
- f) The settlement and communication of payments and collections, directly or through a third party.
- g) In accordance with the applicable regulations the communication to the Technical Manager of the System of the transactions carried out by the different subjects participating in the organised market.
- h) Report publicly on market developments at specified intervals.
- i) Perform any other functions that are assigned to it by regulation.

The market operator shall perform its functions in the Spanish gas system, respecting the principles of transparency, objectivity, non-discrimination and independence.

2. A commercial company in which any natural or legal person may participate shall act as an organised gas market operator.

The sum of the direct shares in the capital of this company of the Operador del Mercado Ibérico de Energía, Polo Español, S.A., and where applicable, of the Operador do Mercado Ibérico (Portugal), SGPS, S.A. will be equal to 30 %. The relative weight of those companies' shareholdings in the organised gas market operator shall be 2/3 and 1/3 respectively.

In the case of the Technical Managers of the Spanish and Portuguese gas systems, the sum of the direct shares in the capital of this company will be 20 %. The relative weight of the shares of the two companies in the organised gas market operator shall be 2/3 and 1/3 respectively.

In the case of persons carrying out activities in the energy sector, the sum of the direct or indirect holdings in the capital of this company may not exceed 3 %. Likewise, the sum of shares of these subjects may not exceed 30 per cent, and these shares may not be syndicated for any purpose.

In the case of the other subjects participating in the company, their direct or indirect participation will be limited to a maximum of 5 % so that it does not have a relevant impact or significant influence on the conduct of the company's activities.

In the event that a natural or legal person demonstrates to the commercial company that it acts as a market operator its willingness to participate in the capital of that company, the request shall be submitted to the General Shareholders' Meeting together with the accreditation of the applicant whether or not to carry out activities in the natural gas sector.

The General Meeting shall accept the application submitted for a maximum shareholding figure equivalent to the average of the shares in the type of shareholder to be held by the petitioner, taking effect through one or more of the following procedures:

- a) The willingness of the company or any of its shareholders to sell the corresponding shares expressed in the General Meeting.
- b) The increase of the company's capital by issuing new shares provided that the 30 % limit that can be subscribed by persons carrying out activities in the energy sector is respected.

Where applicants for participation in the capital of the organised gas market operator carry out activities in the energy sector, in order to comply with the aforementioned percentage, a higher capital increase than necessary may be agreed, provided that the intention to subscribe to those shares by any of the shareholders not engaged in gas activities is expressed in the General Meeting.

In any case, shareholders' right of pre-emption over shares issued to meet new requests for participation is excluded.

3. The remuneration of the operator of the organised gas market shall be borne by all operators operating on that market under conditions to be laid down by order of the Minister for Industry, Energy and Tourism.

CHAPTER IV

Regasification, transport and storage of natural gas

Article 66. *The gaseous fuel transmission network.*

1. The primary transmission network consists of gas pipelines with a maximum pressure design of 60 bar or more.

2. The secondary natural gas transmission network consists of gas pipelines with a maximum design pressure of less than 60 bar and more than 16 bar.

3. In addition, compression and measuring stations and all communications, protection, control, ancillary services, land, buildings and other auxiliary elements necessary for the proper operation of the specific facilities of the transmission network defined above are considered to be constituent elements of the transmission network.

4. Carriers shall be responsible for the development and extension of the transport network as defined in this Article, in such a way as to ensure the maintenance and improvement of a network configured under homogeneous and consistent criteria, without prejudice to compliance with the provisions of Article 4 of this Law on plant planning.

5. All necessary technical standards shall be laid down to ensure the reliability of the gas supply and transmission system installations and those connected to it. These rules shall aim to ensure the protection and safety of persons and their property, the quality and reliability of their operation, the unification of supply conditions, the provision of good service and shall be objective and non-discriminatory.

Article 67. *Administrative authorisations.*

1. They require prior administrative authorisation, under the terms of this Law and its implementing provisions, for the construction, operation, modification and closure of the basic network installations and transport networks referred to in Article 59, without prejudice to the legal regime applicable to underground storage in accordance with Title II of this Law.

The transmission of these installations must be authorised by the competent administration.

The administrative authorisation to close an installation may impose an obligation on the operator to decommission the installation.

Authorisations for the construction and operation of the transport pipelines which are subject to compulsory planning, in accordance with Article 4 of this Law, shall be granted by means of a procedure to ensure that secondary pipelines are involved, promoted and decided upon by the competent authority. In the case of installations forming part of the backbone network, the construction and operation of the installations shall be directly authorised to the operator of most of the core network installations. In the case of other transport pipelines within the competence of the General State Administration, they may be awarded to the operators of the installations to which they are connected.

2. Applicants for authorisations for gas installations listed in paragraph 1 of this Article shall provide sufficient evidence of the following requirements:

- a) The technical and safety conditions of the proposed installations.
- b) Adequate compliance with the conditions for the protection of the environment.
- c) The suitability of the site of the installation to the spatial planning scheme.
- d) Its legal, technical and economic and financial capacity to carry out the project.

3. The authorisations referred to in paragraph 1 of this Article shall be granted by the competent authority, without prejudice to any necessary concessions and authorisations for the protection of the public domain, in accordance with other applicable provisions, the relevant sectoral legislation, in particular those relating to spatial planning, urban planning and the environment.

The procedure and granting of the authorisation shall include the public information procedure.

Granted authorisation and for the purpose of ensuring compliance with its obligations, the operator shall provide a guarantee of around 2 per 100 of the installations' budget.

Authorisation shall in no case be deemed to be granted under a monopoly or grant exclusive rights.

Failure to expressly resolve the applications for authorisation referred to in this Article shall have the effect

of rejecting it. In any case, an ordinary appeal may be lodged with the relevant administrative authority.

4. Transport installation authorisations shall contain all requirements to be observed in their construction and operation.

Where authorised installations are to be connected to existing installations of different operators, the latter, or where applicable the transmission system operator or the relevant independent system operator, shall allow connection under the conditions to be established by regulation.

5. Failure to comply with the conditions and requirements set out in the authorisations or the substantial variation in the budgets that determined their granting may result in their revocation.

The competent authority shall refuse authorisation if the requirements laid down by law are not met or the undertaking does not guarantee the legal, technical and economic capacity necessary to undertake the proposed activity.

Article 68. *Obligations of authorisation holders for the regasification, transport and storage of natural gas.*

Holders of administrative authorisations for the regasification of liquefied natural gas and for the transport and storage of natural gas, as well as independent system operators, where applicable, shall have the following obligations:

a) Carry out its activities in the authorised manner and in accordance with the applicable provisions, providing the service on a regular and continuous basis, at the levels of quality to be determined and maintaining the facilities in the appropriate conditions of conservation and technical suitability, in accordance with the instructions given by the Technical System Manager and, where appropriate, by the competent administration.

b) Submit to the Secretary of State for Energy of the Ministry of Industry, Energy and Tourism and the National Energy Commission, by 15 October of each year, annual and multi-annual investment plans, with a minimum 10-year horizon.

The annual investment plans shall contain at least the data of the projects planned for the following year, their main technical characteristics, budget and timetable for implementation.

c) To facilitate the use of its installations for gas movements resulting from the provisions of this Law, and to allow the use of all its installations by all authorised persons, under non-discriminatory conditions, in accordance with technical standards.

d) To ensure the confidentiality of commercially sensitive information in its possession and to prevent the disclosure of confidential information about its own activities in a discriminatory manner which could give rise to any commercial advantage.

e) Conclude regasification, storage and transport contracts with those who have a right of access to their facilities.

f) Provide any other undertaking carrying out storage, transmission and distribution activities and the system operator with sufficient information to ensure that gas transmission and storage can occur in a manner compatible with the safe and efficient operation of the interconnected system.

g) Provide the information with the detail and frequency with which it is required by the competent administration and communicate to the Ministry of Industry, Energy and Tourism the contracts for access to its facilities they conclude. They must also notify the administrations of the Autonomous Communities of the contracts for access to their facilities where these facilities are wholly or partially located in that Autonomous Community and the contractor of those services is a qualified consumer, a marketer or a carrier with facilities in that Autonomous Community.

h) Participate in the planning process by proposing the facilities they deem necessary to ensure sufficient capacity according to demand forecasts and on the basis of regulatory determination.

Article 69. *Rights of owners of natural gas regasification, transport and storage facilities.*

Operators of regasification, transport and storage facilities shall have the following rights:

a) Recognition by the Administration of remuneration for the exercise of its activities within the gas system under the terms set out in Chapter VII of this Title of this Law.

b) Require that the installations connected to those of their property comply with the established technical conditions and be used in an appropriate manner.

c) Require the guarantees to be determined by the Administration for the collection of tolls and charges.

Article 70. *Access to transport facilities.*

1. The operators of the facilities shall allow the use of the same to direct consumers in the market and to marketers who fulfil the required conditions, through the separate or joint procurement of transport, regasification and storage services, on the basis of principles of non-discrimination, transparency and objectivity. The price

for the use of transport networks will be determined by the tolls in force.

They must also allow the Corporation of Strategic Petroleum Products Reserves to use these facilities in the exercise of its function of building, maintaining and managing strategic natural gas stocks.

2. Without prejudice to the regulatory development of the provisions of this Article, the National Commission for Markets and Competition shall, by Circular, approve the methodology and conditions of access and connection which shall include the content of applications and permits, economic criteria, criteria for capacity assessment, grounds for refusal, minimum content of contracts, and obligations of publicity and transparency of information relevant to access and connection.

3. In the case of access to regasification facilities, basic storage, transport and distribution, access shall be regulated.

Mandatory planning will determine the basic nature of the storage on the basis of economic and technical criteria, as well as the storage needs, both strategic and operational, for the efficient operation of the system.

In the case of non-core storage, which is included as an indication in the planning, access shall be negotiated on the basis of transparent, objective and non-discriminatory criteria. Installations shall be excluded from the remuneration scheme of the natural gas system.

The holders of non-core storage shall submit to the National Energy Commission the methodology for allocating capacity to their facilities and the methodologies for calculating the charges in order to enable it to verify that the criteria of transparency, objectivity and non-discrimination set out in the previous paragraph are met.

They must also inform the National Energy Commission and the Ministry of Industry, Energy and Tourism of the main commercial conditions, services offered, contracts they sign, price statements for the use of the facilities, as well as any changes thereto, within a maximum period of three months. The National Energy Commission shall make public any part of this information that is not commercially sensitive.

4. Access to the network may be refused in the event of insufficient capacity or where access to the network would prevent the fulfilment of any supply obligations imposed or due to serious economic and financial difficulties which might result from the performance of compulsory purchasing contracts, under the conditions and in accordance with the criteria of uniform Community legislation provided for.

Access to the network by the Corporation for Strategic Reserves of Petroleum Products may not be limited or denied, and in any case shall be preferential over that of other subjects, in emergency situations and in implementation of the measures approved by the Government for them in each case.

5. Access to the network may also be refused, subject to the agreement of the National Energy Commission, where the gas supply undertaking, directly or through agreements with other supplying undertakings, or those to which any of them is linked, resides in a country in which similar rights are not recognised and it is considered that the principle of reciprocity may be altered for undertakings to which access is required, without prejudice to the criteria to be followed in respect of undertakings in Member States of the European Union in accordance with the uniform legislation on the subject laid down by the latter.

6. By way of exception, it may be exempted from the obligation of third parties to access certain new installations or modifications to existing installations which result in a significant increase in capacity or which allow the development of new sources of gas supply which, due to their unique characteristics, so require, in accordance with the procedure for authorising the exemption provided for in Article 71 of this Law.

In the case of international connections with installations in third countries, which are not part of the European Union, the said derogation shall be recorded in the hydrocarbon planning prepared by the Government in accordance with Article 4.

This derogation will entail the non-inclusion of the installation in the remuneration scheme for the natural gas sector.

7. Consumption supplied exclusively through connections or direct lines connected to facilities providing access to the system covered by paragraph 5 of this Article shall comply with the obligations laid down in this Law, and in particular those arising from Article 98, with installations not included in the Basic Network.

Article 71. Exemption from third party access obligation.

1. Exemption from the third party access obligation referred to in Article 70(6) may be requested, provided that they fulfil the following conditions:

- a) Investment should strengthen competition in gas supply and enhance security of supply.
- b) The level of risk inherent in the investment is such that the investment would not be carried out if the exemption was not granted.
- c) The infrastructure shall be owned by a separate entity, at least as a legal entity, by the carriers on whose networks the infrastructure is to be built.

- d) Charges shall be levied on users of the infrastructure
- e) The exemption should not be detrimental to competition in the relevant markets likely to be affected by the investment, to the effective functioning of the internal market in natural gas in the Union, nor to the efficient functioning of the regulated networks concerned or to the security of supply of natural gas within the Union.

The exemption from third party access may relate to all or part of the capacity of the new infrastructure or of the existing infrastructure whose capacity is increased.

2. To this end, the operator of the installation will request exemption from the Ministry for Ecological Transition and Demographic Challenge, which will require a prior report from the National Commission for Markets and Competition.

The National Commission for Markets and Competition shall forward to the European Commission a copy of the requests for exemption received and shall analyse each case in particular, taking into account, inter alia, the additional capacity to be built or the modification of existing capacity, the planned time frame of the project and the circumstances of the gas sector. In its report, the National Commission for Markets and Competition will propose conditions regarding the duration of the exemption and non-discriminatory access to infrastructure.

In addition, in its report, the National Commission for Markets and Competition will propose the rules and mechanisms for managing and allocating capacity. In any case, a prior consultation will be made with all potential users regarding their interest in contracting the new capacity before allocating it, including capacity for own use. The results of such prior consultation shall be taken into account by the National Commission for Markets and Competition in assessing compliance with the criteria laid down in paragraph 1 of this Article.

Unused capacity shall be offered on the market in a transparent, objective and non-discriminatory manner, and users of the infrastructure shall have the right to sell the contracted capacity on the secondary market.

3. The National Commission on Markets and Competition shall, prior to the adoption of its final report on the exemption, consult:

- a) the national regulatory authorities of Member States whose markets are likely to be affected by the new infrastructure; and
- b) the competent authorities of third countries, where the infrastructure concerned is connected to the European Union network under the jurisdiction of a Member State and originates or ends in one or more countries outside the European Union.

Where the authorities consulted in the third country do not respond to the consultation within two months, the National Commission for Markets and Competition may proceed with the processing of the exemption.

The National Commission for Markets and Competition shall submit the report together with all the documentation contained in the file to the holder of the Ministry for Ecological Transition and the Demographic Challenge, which will be resolved by order to be published in the Official Gazette of the State. That order shall also be published together with the report adopted by the National Commission for Markets and Competition on that body's website.

4. The exemption order shall be notified to the European Commission together with all relevant information relating thereto, for the purposes of Article 36(9) of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 and, where appropriate, adapted or revoked, depending on the decision taken by the Commission pursuant to that Article.

5. The exemption decision approved by the European Commission will cease to take effect two years after its approval if, by then, construction of the infrastructure has not started, and five years after its approval if, by then, the infrastructure was not operational, unless the European Commission decides that the delays are motivated.

6. Where the infrastructure for which the exemption has been requested is located in the territory of more than one Member State of the European Union, Article 36(4) of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 shall apply.

Article 71a - Exemptions for transport pipelines to or from countries outside the European Union.

1. Transport pipelines to or from countries outside the European Union whose construction was completed before 23 May 2019 may be exempted from Articles 63(3), 63a, 63b and 70 of Law 34/1998 of 7 October 1998 on the hydrocarbon sector for a maximum period of 20 years from 24 May 2020, which may be extended in duly justified cases, as provided for in paragraph 3.

2. Operators of transport pipelines to or from countries outside the European Union may request the exemption referred to in the first paragraph from the holder of the Ministry for the Ecological Transition and Demographic Challenge, provided that it is justified on objective grounds such as allowing the recovery of the investment made, for reasons of security of supply, for the effective functioning of the internal gas market in the European Union and where the exemption is not detrimental to competition.

3. The head of the Ministry for the Ecological Transition and Demographic Challenge shall decide, following a report from the National Commission for Markets and Competition in relation to the possible impact on competition or the effective functioning of the internal gas market in the European Union, granting or refusing the exemption on the basis of verifying compliance with the objective reasons referred to in the preceding paragraph. The termination of the extension of the exemption may lay down limitations which contribute to the achievement of the above objectives.

4. The exemption provided for in the preceding paragraphs does not imply the inclusion of installations in the remuneration scheme for the natural gas sector.

Unused capacity shall be offered on the market in a transparent, objective and non-discriminatory manner, and infrastructure users shall have the right to sell the contracted capacity on the secondary market.

5. Operators of installations excepted in this provision must submit to the National Commission for Markets and Competition, and to the Ministry for the Ecological Transition and Demographic Challenge, an annual report detailing the utilisation of pipeline capacity during the immediately preceding calendar year, the undertakings that have accessed the facilities with the quantities transported by each of them, access prices and any other information requested by the said bodies. This report shall be submitted before the end of the first quarter of each year.

Once the exemption has been granted, the operators of the installations exempted in this provision must submit to the Ministry for the Ecological Transition and Demographic Challenge a timetable of actions to ensure full compliance with the provisions of Articles 63.3, 63 bis, 63b and 70 of Law 34/1998 of 7 October 1998 before the end of the exemption period.

6. Operators shall keep separate accounts for transport and marketing activities and shall include the accounts in the annual report referred to in the previous paragraph.

CHAPTER V

Distribution of gaseous fuels by pipeline

Article 72. *Distribution regulation.*

1. The distribution of gaseous fuels shall be governed by this Law, its implementing rules and by the regulations laid down by the Autonomous Communities within the scope of their competence. The Government shall also lay down the necessary rules on coordination and operation.

2. The purpose of the organisation of distribution shall be to establish and apply common principles to ensure that they are properly linked to other gas activities, to determine the conditions for gas transit through those networks, to establish sufficient equality between operators throughout the territory and to establish comparable common conditions for all users.

Article 73. *Authorisation of natural gas distribution facilities.*

1. Natural gas distribution facilities are gas pipelines with a maximum design pressure of 16 bar or less and other pipelines which, irrespective of their maximum design pressure, aim to drive the gas to a single consumer, starting from a secondary core transmission network pipeline.

In addition, satellite liquefied natural gas plants supplying a distribution network shall also be considered as distribution facilities.

Likewise, the facilities of connection between the transmission and distribution network shall be considered as distribution facilities under the terms and conditions that are determined by regulation.

2. The construction, modification, operation and closure of natural gas distribution facilities shall be subject to prior administrative authorisation, under the terms established in this Law and in its implementing provisions, regardless of their destination or use.

The transmission of these installations must be authorised by the competent administration.

The administrative authorisation to close an installation may impose an obligation on the operator to decommission the installation.

3. Applicants for authorisations for gas installations listed in the previous paragraph shall provide sufficient evidence of compliance with the following requirements:

- a) The technical and safety conditions of the proposed installations.
- b) Adequate compliance with the conditions for the protection of the environment.
- c) The suitability of the site of the installation to the spatial planning scheme.
- d) Its legal, technical and economic and financial capacity to carry out the project.

4. The authorisations referred to in paragraph 2 shall be granted by the competent authority, without prejudice to such concessions and authorisations as may be necessary, in accordance with other applicable

provisions, the relevant sectoral legislation, in particular those relating to spatial planning and the environment.

The authorisation procedure shall include the public information procedure and the form of termination in the event of two or more applications for authorisation.

Granted authorisation and for the purpose of ensuring compliance with its obligations, the operator shall provide a guarantee of two per cent of the budget of the installations.

Authorisation shall in no case be granted with exclusive rights of use.

Failure to expressly resolve the applications for authorisation referred to in this Article shall have the effect of rejecting it. In any case, an ordinary appeal may be lodged with the relevant administrative authority.

5. Authorisations for distribution installations shall contain all the requirements to be observed in their construction and operation, the delimitation of the area in which the supply is to be provided, the commitments to expand the network in that area to be undertaken by the applicant undertaking and, where appropriate, the time limit for the implementation of those facilities and their characterisation.

Where approved installations are to be connected to existing installations of different operators, the latter must allow connection under the conditions laid down by regulation.

6. Failure to comply with the conditions, requirements set out in the authorisations or the substantial variation in the budgets that determined their granting may result in their revocation.

The competent authority shall refuse authorisation if the requirements laid down by law are not met or the undertaking does not guarantee the legal, technical and economic capacity necessary to undertake the proposed activity.

7. Authorisations for the construction and operation of distribution facilities must preferably be granted to the distribution company in the area. If there is no distributor in the area, the principles of natural monopoly of transport and distribution, single network and realisation at the lowest cost for the gas system will be taken into account.

Article 74. *Obligations of natural gas distributors.*

1. The obligations of natural gas distributors shall be:

a) Carry out its activities in the authorised manner and in accordance with the applicable provisions, ensuring the quality standards established by regulation.

b) Comply with instructions issued by the technical system operator and, where appropriate, by the competent administration in relation to third-party access to its distribution systems.

c) Maintain the facilities in the appropriate conditions of conservation and technical suitability.

d) Extend distribution facilities and facilitate connections, within the geographical scope of their authorisation, on an equal footing, where this is necessary to meet new demands for gas supply, without prejudice to what results from the application of the regulatory regime for connections.

Where there are more than one distributor whose facilities are likely to be extended to supply new supplies and none of them decides to undertake it, the competent authority shall determine which of these distributors shall carry out it in accordance with their conditions.

e) Facilitate the use of its facilities and make contracts for third party access to the natural gas network under conditions to be determined by regulation.

f) Provide the transport, storage, marketing of natural gas and the Technical System Manager with sufficient information to ensure that the gas supply can occur in a manner compatible with the safe and efficient operation of the system.

g) Inform the competent authority which granted the authorisations of installations, and the Ministry of Industry, Tourism and Trade of the relevant changes in its activity, for the purpose of determining the tolls and fixing its remuneration scheme.

h) To communicate to the competent administration and to the Ministry of Industry, Tourism and Trade information to be determined relating to the activity carried out within the gas sector. They must also communicate to each Autonomous Community all the information requested by the Autonomous Community relating to its territorial scope.

i) Be entered in the Administrative Register of Gaseous Fuel Distributors by pipeline referred to in this Title.

j) Perform the connections and the engagement of new users in accordance with what is established by regulation.

k) To measure supplies in the manner determined by regulation, ensuring, in any case, the accuracy of the supplies and the accessibility of the relevant equipment by facilitating the control of the competent administrations.

l) Provide the Supply Change Office with the information determined by regulation.

m) Implement the measures to be established in relation to consumer protection which are considered

essential.

n) Maintain an operational system that ensures the permanent attention and resolution of incidents that, as a matter of urgency, may occur in distribution networks and in the reception facilities of consumers connected to their facilities.

o) Carry out the pre-supply tests that are defined by regulation.

p) Communicate to the users connected to their network, at regular intervals and under the conditions defined by regulation, the need to carry out the inspection of the receiving facilities.

In this communication users shall be informed of the possibility of carrying out such an inspection with any natural gas installation undertaking authorised.

If, within the time-limit and in the manner determined, there is no notification to the distributor of the inspection by a licensed natural gas installation undertaking, the distribution undertaking shall be obliged to carry out the inspection.

The procedures and effects of not having sent the corresponding certificate to the distribution company shall be established by regulation.

q) Implement the demand management programmes approved by the Administration.

r) Seek a rational use of energy.

s) Submit the annual and multiannual investment plans to the competent body of the Autonomous Community in which they operate by 15 October each year.

The annual investment plans shall include at least the data of the projects planned for the following year, their main technical characteristics, budget and implementation schedule.

t) Comply with the deadlines laid down by regulation for the actions that correspond to them in relation to changes of supplier. Under no circumstances may the period prescribed by regulation exceed three weeks.

2. Without prejudice to the liability arising from the obligations incumbent on distributors in accordance with this Article, operators of natural gas receiving installations or installations for consumption shall be responsible for their proper use, modification, maintenance and periodic inspection under the technical and safety conditions required.

Article 75. Distributors' rights.

Operators of distribution facilities shall have the following rights:

a) Recognition by the administration and the receipt of remuneration for the exercise of its activities within the gas system in the terms set out in Chapter VII of this Title.

b) Require that the installations connected to those owned by them comply with the technical conditions laid down and be used in an appropriate manner.

c) Require that reception facilities, receivers and consumer measuring equipment meet the technical and construction conditions to be determined, as well as the proper use thereof and compliance with the conditions laid down to ensure that the supply takes place without deterioration or degradation of its quality for other consumers.

d) Promote the construction of common reception facilities, in order to extend the supply of natural gas, according to the conditions that are determined by regulation.

e) To charge and charge marketers and direct consumers access tolls within the deadlines laid down by law. In addition, they may bill and charge for other services associated with the supply under the conditions laid down by regulation.

f) Request verification of the proper functioning of the supply measurement equipment.

g) Receive information from the Supply Change Office that is determined by regulation regarding changes in supply.

h) Require the guarantees to be determined by access tolls to their facilities.

Article 76. Access to natural gas distribution networks.

1. The operators of distribution facilities shall allow the use of the same to direct consumers in the market, and to marketers who fulfil the required conditions, on the basis of principles of non-discrimination, transparency and objectivity. The price for the use of distribution networks shall be determined by administratively approved tolls.

2. The distributor may refuse access to the network only if it does not have the necessary capacity. The reasons for the refusal must be given. The lack of necessary capacity may be justified only by criteria of security, regularity or quality of supplies, taking into account the requirements laid down for this purpose.

3. Without prejudice to the regulatory development of the provisions of this Article, the National Commission for Markets and Competition shall, by Circular, approve the methodology and conditions of access

and connection which shall include the content of applications and permits, economic criteria, criteria for capacity assessment, grounds for refusal, minimum content of contracts, and obligations of publicity and transparency of information relevant to access and connection.

Article 77. *Distribution of other gaseous fuels.*

1. Distribution facilities for other gaseous fuels, fuel gas manufacturing plants referred to in Article 56 and pipelines necessary for supply from previous plants to final consumers are considered.

2. The authorisation of such installations shall be governed by the provisions of Article 73, considering the desirability of designing and constructing compatible installations for the distribution of natural gas, and shall have the obligations and rights set out in Articles 74 and 75 of this Law, with the exception of obligations relating to third party access to installations and the right to acquire natural gas at the disposal price.

3. The operators of the installations regulated in this article shall have the right to transform them, in compliance with the technical safety conditions applicable, for use with natural gas, for which they must apply for authorisation from the licensing authority, subject to all provisions for natural gas distribution facilities.

Article 78. *Hotlines.*

1. A direct line means a natural gas pipeline complementary to the interconnected system, for supply to a consumer.

2. Qualified consumers may construct direct lines, excluding their use from the remuneration scheme for transport and distribution activities laid down in this Law.

3. The construction of hotlines is excluded from the application of the provisions on expropriation and servitude laid down in this Law and subject to the general legal system.

The opening to third parties of the use of the line shall require that the line be integrated into the gas system as regulated.

4. Consumption which is fed by a direct line or connection from a regasification plant of the core network shall comply with the obligations laid down in this Law, and in particular those arising from Article 98, with infrastructure not included in the core network.

CHAPTER VI

Commercialisation of gaseous fuels

Article 79. *Marketing.*

1. Without prejudice to Article 60, the following aspects shall be regulated by regulation in relation to the placing on the market of natural gas:

a) The modalities and conditions of supply to consumers as well as the procedures for refusal, suspension or deprivation thereof.

b) The procedure for measuring consumption by installing and verifying measuring devices.

c) The procedure and conditions for invoicing and collection of supplies and services.

d) The consumer protection measures to be included in the contractual conditions for the supply of those consumers who, because of their volume of consumption or conditions of supply, require specific contractual treatment.

e) Procedures for changing the marketer.

f) Procedure for resolving complaints.

2. Without prejudice to the powers of the Autonomous Communities and without prejudice to the establishment by marketers of their own complaint-handling systems in accordance with Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for the out-of-court settlement of consumer disputes, provision shall be made for recourse to the Consumer Arbitral System for the resolution of such complaints.

Article 80. *Natural gas marketers.*

1. Natural gas marketers shall comply with regulatory requirements, including sufficient technical capacity of the applicant. The marketing undertakings must provide the guarantees required.

They must always inform the competent administration and, in any case, the Ministry of Industry, Energy and Tourism, which in turn shall inform the National Commission for Markets and Competition and the Corporation of Strategic Reserves of Petroliferous Products of the start or cessation of the activity, accompanied by the communication of a responsible declaration regarding compliance with the requirements referred to in

the preceding paragraph.

Together with the aforementioned notice of commencement of activity, natural gas marketers must submit to the Ministry of Industry, Energy and Tourism a forecast of sales for the first year of activity broken down between firm sales to final consumers, interruptible sales to final consumers and other types of sales.

Natural gas marketers must prove compliance with these requirements if required by the competent administration, the Ministry of Industry, Energy and Tourism or the National Commission for Markets and Competition.

Any event involving a change in any of the particulars included in the original declaration shall be communicated by the data subject within a maximum of one month from the time of its occurrence.

In the case of undertakings authorised to place natural gas on the market in a Member State of the European Union with which there is a mutual agreement on the recognition of licences for the placing on the market of natural gas, notification of the commencement or cessation of the activity shall be sufficient, without prejudice to the provision of economic guarantees necessary for the procurement of access to the facilities.

2. The National Energy Commission shall publish on its website a list of natural gas marketers which shall include those companies that have notified the competent administration of the exercise of this activity.

Article 81. *Rights and Obligations of Marketers.*

1. Marketers shall have the following rights:

- a) Make gas acquisitions under the terms set out in Chapter II of this Title.
- b) Sell natural gas to consumers and other authorised marketers on freely agreed terms.
- c) Access the facilities of third parties under the terms set out in this Title.
- d) Receive measurement of your customers' supplies.
- e) Require that the measuring equipment of the users meet the technical and construction conditions to be determined, as well as the proper use thereof.
- f) Bill and collect the supplies made.
- g) Request verification of the proper functioning of the supply measurement equipment.
- h) Conclude with your customers interruptibility clauses under the conditions that are determined by regulation.
- i) Obtain information relating to changes of supplier and consumer data from the Supply Change Office to be determined by regulation.

2. Marketers shall have the following obligations:

- a) Notify the competent authority of the commencement or cessation of the activity and comply with the regulatory requirements.
- b) Meet the obligations of maintaining minimum security stocks and diversification of supplies set out in Chapter VIII.
- c) Coordinate its activity with the technical manager of the system, carriers and distributors.
- d) Purchase the gas and enter into the access contracts necessary to fulfil the contractual commitments with its customers.
- e) Provide the guarantees to be determined by the tolls and access charges contracted.
- f) Pay within the time limits laid down in the legislation the relevant tolls and access charges to gas installations.
- g) To pay to the distributor the amounts collected for services associated with the supply provided by the distributor to the final consumer in cases which have been established by regulation.
- h) To guarantee the security of supply of natural gas to its customers by concluding contracts for the regasification of liquefied natural gas, for transmission and distribution and for storage as required.
- i) Forward to the Ministry of Industry, Tourism and Trade any periodic information determined in relation to the activity carried out within the gas sector. Such submission of information shall include, inter alia, the quantities sold and the selling prices applied in the form and time limit to be established. Also, send to the Autonomous Communities any information specifically requested concerning their territorial scope.
- j) Provide their customers with the information and advice they may request regarding the supply of gas.
- k) Provide the Supply Change Office with the information determined by regulation.
- l) Implement the demand management programmes approved by the Administration.
- m) Seek a rational use of energy.
- n) For the supply to final consumers, they must have a service to deal with their complaints, complaints, requests for information or communications of any incident in relation to the service contracted or offered, making available to them a postal address, a telephone service and a telephone number, both free of charge, a fax number and an e-mail address to which they can address directly. This electronic communication system

shall issue an automated acknowledgement of receipt indicating the date, time and number of the application, so that there is certainty that the citizen's application has been entered. Providers shall communicate their legal address if this does not match their usual address for correspondence.

o) Keep at the disposal of the Ministry of Industry, Energy and Tourism, the National Energy Commission, the National Competition Commission and the European Commission, for at least five years, relevant data on all transactions in gas supply contracts and gas-related derivatives concluded with wholesale customers and transmission system operators, as well as LNG storage and network operators.

p) Inform clients about the out-of-court dispute resolution systems available to them and how they are accessed.

q) Comply with the deadlines laid down by regulation for the actions that correspond to them in relation to changes of supplier. Under no circumstances may the period prescribed by regulation exceed three weeks.

r) Natural gas marketers may not make unsolicited advertising on home visits about their products, except where the recipient has requested on his own initiative to receive information about the service by that means. The advertising entity shall be held responsible for compliance with this paragraph.

s) Natural gas marketers may not engage in procurement practices at customers' homes directly, unless there is an express request from the customer and on his own initiative to establish the appointment.

t) Marketers shall publish transparent, comparable, appropriate and up-to-date information on the prices applicable to all offers available at all times to consumers with annual consumption below 50.000 kWh, and, where applicable, on the terms and conditions related to the termination of contracts, as well as information on additional services required by their procurement.

In cases where tenders are made for new contracts limited in time, they shall publish both the price offered and the resulting price after the time limit of the offer has elapsed. Both prices must be advertised with the same type and font size, clearly indicating the time periods of application.

Prices must be published indicating the fixed term (EUR/month) and the variable term (EUR/kWh). In the case of flat rates, prices shall be indicated in the same format, without prejudice to the method of payment, so that all tariffs are easily comparable by the consumer. In case any of the terms of the tariff is updated by an index, it must be public and the form of calculation should be indicated so that it is easily reproducible by the user, including the parameters used and recent developments.

In the event that tenders include some form of penalty for termination of the contract, it must be clearly legible, without the difference in the font size being greater than 10 % from the rest of the text described in the tender.

All this information will be provided through all the media in which it is advertised, and in any case on its website, and must also be forwarded to the National Commission for Markets and Competition, according to the criteria established by the Commission, in order to make it available to all consumers through its web tool Comparison of Energy Offers.

3. Direct Market Consumers will have the same rights and obligations as marketers in everything that applies to them.

Article 82. *Suppliers of last resort.*

The Government will determine which marketers will assume the obligation of suppliers of last resort.

In addition to the rights and obligations laid down for marketers in Article 81, gas marketers who have been designated as suppliers of last resort shall comply with requests for the supply of natural gas from consumers determined, at a maximum price established by the Minister of Industry, Tourism and Trade, after agreement of the Government Delegate Commission for Economic Affairs, which shall be considered as tariff of last resort.

In addition, where a marketer fails to comply with some of the obligations laid down in subparagraphs (d), (e), (f), (g) and (h) referred to in Article 81.2 of this Law, or does not comply within the time-limits laid down for other payment obligations vis-à-vis the gas system, the Ministry of Industry, Tourism and Trade shall, after hearing and in a reasoned, objective and transparent manner, determine the transfer of that marketer's customers to a marketer of last resort, without such circumstances entailing extraordinary burdens on the marketer of last resort. It shall also determine the conditions for the supply of such customers.

The foregoing shall be without prejudice to any penalties which may arise in accordance with the provisions of Title VI of this Law.

Article 83. *Administrative Register of Distributors.*

The Administrative Register of Gaseous Fuel Distributors by pipeline is established in the Ministry of Industry, Tourism and Trade. By regulation, following a report from the Autonomous Communities, their organisation will be established, as well as the procedures for registering and communicating data to this

register.

The Autonomous Communities with competence in this field may establish and manage the relevant territorial registers.

Article 83a - Supply Exchange Office.

(Repealed).

Article 84. Demand management programmes.

1. Distributors and marketers, in coordination with the various actors acting on demand, will be able to develop action programmes that, through adequate gas demand management, improve the service provided to users and improve energy efficiency and savings.

2. Without prejudice to the above, public administrations may adopt measures incentivising the improvement of service to users and energy efficiency and savings, directly or through economic operators aiming at saving and introducing greater efficiency in the end-use of natural gas.

Article 85. Energy saving and efficiency plans.

The General State Administration and the Autonomous Communities, within their respective territorial competences, may, by means of energy saving and efficiency plans, lay down the basic rules and principles to promote actions aimed at achieving the optimisation of the performance of energy transformation processes, inherent in production or consumption systems.

Where such energy efficiency and savings plans establish incentivised actions with public funds, those administrations may require the participating natural or legal persons to submit an energy audit of the results obtained.

By Royal Decree of the Council of Ministers, the terms and conditions under which natural gas marketers may access certain information relating to consumer consumption will be regulated so that they can offer them actions aimed at promoting demand management or other energy efficiency measures, either directly or through energy service companies, while respecting the protection of personal data.

Article 86. Quality of supply of gaseous fuels.

1. The supply of gaseous fuels shall be carried out by the undertakings holding authorisations provided for in this Law, on a continuous basis when it is contracted and with the characteristics determined by regulation.

To this end, gas companies will have the necessary staff and means to ensure the quality of service required by the regulations in force.

Gas undertakings, in particular distributors and marketers, shall promote the incorporation of advanced technologies in the measurement and quality control of the supply of gaseous fuels.

2. If the low quality of the distribution of an area is continuous, or is likely to have serious consequences for users, or if there are special circumstances likely to endanger the safety of the gas service, the competent administration shall establish regulatory guidelines for action, establishing their implementation and implementation, to be carried out by distributors in order to restore the quality of service.

3. If it is found that the quality of the individual service provided by the company is lower than that required, the reductions in the billing paid by the users shall be applied, in accordance with the procedure established for that purpose.

Article 87. Inspection authority.

1. The competent administrative bodies shall, on their own initiative or at the request of a party, carry out all necessary inspections and verifications to verify the regularity and continuity of supply and to ensure the security of persons and property.

Inspection activities must be completed within 12 months of the date of notification of their initiation to the person concerned. The proceedings shall be deemed to be completed on the date on which the minutes documenting their conclusion and result are notified. The cases of suspension of the period indicated may be determined by regulation.

2. The inspections referred to in the preceding paragraph shall at all times ensure that the characteristics of gaseous fuels supplied within officially authorised limits are maintained.

Article 88. Suspension of supply.

1. The supply of gaseous fuels to consumers may be suspended only where such a possibility is stated in the supply contract, which may never raise technical or economic problems which make it difficult, or because of force majeure or situations from which a certain threat to the safety of persons or things may arise, subject to

the following paragraphs.

In the case of supply to qualified consumers, the conditions of guarantee of supply or suspension they have agreed shall apply.

2. It may, however, be temporarily suspended where this is essential for the maintenance, security of supply, repair of facilities or improvement of the service. In all these cases, suspension shall require prior administrative authorisation and communication to users in the manner determined by regulation.

3. Under the conditions laid down by regulation, the supply of gaseous fuels by channelling to private consumers subject to tariffs may be suspended when two months have elapsed since the payment was reliably requested, without the payment being made effective. For this purpose, the request shall be made by any means which make it possible to obtain a record of receipt by the interested party or his representative, as well as of the date, identity and content of the request.

In the case of general government, after two months after the payment was reliably requested without the payment being made, interest shall begin to accrue, which shall be equivalent to the statutory interest on the money increased by 1.5 points. If, four months after the first order, payment has not been made, the supply may be interrupted.

Under no circumstances may the supply of gaseous fuels by pipeline be suspended to installations whose services have been declared essential. The criteria for determining which services should be understood as essential shall be established by regulation. However, distribution or marketing undertakings may affect payments they receive from those of their customers who have supplies linked to services declared to be essential in late payment, to the payment of invoices for those services, irrespective of the allocation that the customer, public or private, would have allocated to those payments.

4. Once the payment has been made of what is owed by the consumer to whom the supply has been suspended, the supply will be replaced immediately.

Article 89. *Technical and safety standards for installations.*

1. Installations for the production, regasification, storage, transport and distribution of gaseous fuels, user reception facilities, consumer equipment, as well as technical and material elements for gaseous fuel installations must comply with the relevant technical standards of industrial safety and quality, in accordance with the provisions of Law 21/1992 of 16 July 1992 on industry, without prejudice to the provisions of the relevant regional legislation.

2. Technical regulations in this field shall aim at:

- a) Protect people and the integrity and functionality of assets likely to be affected by installations.
- b) To achieve the necessary regularity of supplies.
- c) Establish standardisation rules to facilitate inspection of installations, prevent over-diversification of material and unify supply conditions.
- d) Obtain the greatest rationality and economic use of the facilities.
- e) Increase the reliability of installations and improve the quality of gas supplies.
- f) Protect the environment and the rights and interests of consumers and users.
- g) Achieve the right levels of efficiency in the use of gas.

3. Without prejudice to the other authorisations provided for in this Title and for the purposes provided for in this Article, the construction, extension or modification of gas installations shall require appropriate administrative authorisation in accordance with the provisions laid down by regulation.

Extensions of distribution networks, within each approved zone, may be subject to a joint approval for all those planned in the year.

Article 90. *Risk coverage.*

The Government, in accordance with the provisions of Article 30 of Law 26/1984 of 19 July 1984 on the protection of consumers and users, shall adopt the measures and initiatives necessary to establish the mandatory coverage of risks which, for persons and goods, may arise from the exercise of the activities regulated in this Title.

CHAPTER VII

Economic system

Article 91. *Economic regime for the activities covered by the Act.*

1. Activities for the supply of gaseous fuels shall be remunerated economically in the manner provided for

in this Law on the basis of tariffs of last resort, tolls, charges and charges and the prices paid. Notwithstanding the above, the connections of the natural gas fields to the transmission facilities shall be borne by the operator of the concession for the operation of the field and shall not be included in the costs of the gas system.

2. The economic arrangements for charges, rental of meters and other necessary costs linked to installations shall be established. The fees to be paid for the connections shall be established by the Autonomous Communities on the basis of the maximum flow requested and the location of the supply, with the upper and lower limits to be determined by the National Commission for Markets and Competition. The commissioning rights must be established in such a way as to ensure the recovery of the investments made. Income for this purpose shall, for all purposes, be regarded as remuneration for the distribution activity.

3. In respect of distributors operating in their territory, the Autonomous Communities shall lay down the economic regime for registration fees, as well as the other costs arising from services necessary to meet users' supply requirements.

Article 92. *Criteria for determining tolls, fees and charges.*

1. The National Commission for Markets and Competition shall adopt, by a decision to be published in the Official Gazette of the State, the prices of tolls and fees for access to transmission, distribution and liquefied natural gas installations in accordance with the methodology and structure approved by that Commission.

The Government shall establish the methodology for calculating the fees for basic services for access to underground storage. The head of the Ministry for Ecological Transition, subject to the agreement of the Government Delegate Commission for Economic Affairs, will approve the prices of access charges to basic underground storage

Tolls and charges shall take into account the costs incurred in using the facilities in such a way as to optimise the use of infrastructure and may be differentiated by pressure levels, characteristics of consumption and duration of contracts.

These prices must respect the principle of economic and financial sustainability of the gas system and be sufficient to cover the costs of using liquefied natural gas transmission, distribution and plants.

Tolls and charges must be established in such a way that their determination as a whole is in accordance with the following principles:

- a) Ensure the recovery of the investments made by the operators in the useful life of the operators.
- b) Allow a reasonable return on the financial resources invested.
- c) Determine the system of remuneration for operating costs in a way that encourages efficient management and improved productivity, which should be partly passed on to users and consumers.

2. The Government, following a report from the National Commission for Markets and Competition, will establish the structure and methodology for calculating the charges intended to cover other regulated costs of the system that are not associated with the use of the installations in accordance with Article 59 of Law 18/2014, of 15 October, without prejudice to the provisions for tolls and charges for the transmission, distribution and plants of liquefied natural gas.

In general, tolls and access charges to gas installations, as well as charges, shall be established annually, with the National Commission for Markets and Competition responsible for approving tolls and fees for access to Liquefied Natural Gas transmission, distribution and plants facilities.

The head of the Ministry for Ecological Transition, with the agreement of the Government Delegate Commission for Economic Affairs, will approve the charges as well as the fees for access to underground storage.

3. Undertakings carrying out the activities covered by this Title shall provide the National Commission for Markets and Competition and the Ministry for the Ecological Transition with all necessary information for the determination of tolls, fees and charges. This information shall also be available to the Autonomous Communities at their request, as regards their territorial scope.

4. Marketing companies must break down in their invoices to final consumers the amount corresponding to tolls, fees and charges.

Article 93. *Rate of last resort.*

1. The tariff of last resort shall be the maximum price that may be charged by marketers who, in accordance with the provisions of Article 82 of this Law, have been designated as suppliers of last resort, to consumers who, in accordance with the regulations in force for this tariff, are entitled to benefit from it.

2. The tariff of last resort will be unique throughout Spain without prejudice to its specialties due to pressure levels and consumption volume.

Notwithstanding the above, consumers who, at the entry into force of Order ECO/302/2002 of 15 February

2002 establishing the tariffs for natural gas and manufactured gases by pipeline and rental of meters, were charged the firm industrial tariff and are connected to gas pipelines under pressure less than or equal to 4 bar with an annual consumption of more than 200.000 kWh/year, may request from their distributor the connection to pressures exceeding 4 bar. If this request cannot be complied with, because the distributor of such pressures close to the consumer's premises does not have access to this request, the consumer shall be charged the tariff of last resort for consumers with the same consumption connected to pressure pipelines greater than 4 bar and less than or equal to 60 bar.

The consumer shall have the obligation to make the corresponding connection and connect to pressure pipelines exceeding 4 bar at the time when the distributor has networks close to the consumer's premises for this purpose.

3. The Minister of Industry, Tourism and Trade, after agreement of the Government Delegate Commission for Economic Affairs, shall make the necessary arrangements for the establishment of the tariff of last resort for natural gas or a system for the automatic determination and updating thereof.

4. The system for calculating that tariff shall include in addition the cost of the raw material, the relevant access tolls, the marketing costs and the costs of security of supply.

The Minister of Industry, Tourism and Trade is empowered to set up an auction mechanism to determine the cost of raw material for the calculation of tariffs of last resort, subject to the agreement of the Government Delegate Commission for Economic Affairs.

5. Tariffs of last resort shall be fixed in such a way as not to cause distortions of competition on the market.

Article 94. *Tariffs for liquefied petroleum gases per pipeline.*

The Minister for Industry, Tourism and Trade, after agreement of the Government's Delegate Commission for Economic Affairs, may make the necessary arrangements for the setting of the tariffs for the sale of liquefied petroleum gases by pipeline to final consumers, as well as the prices for the sale of liquefied petroleum gases for distributors of fuel gases by pipeline, by establishing the specific values of those tariffs and prices or a system for the automatic determination and updating of such prices, if required and in such terms as may be laid down by the regulatory development governing the framework for the supply of liquefied petroleum gases.

Article 95. *Taxes and taxes.*

1. The tariff of last resort, tolls and charges and the prices of the services associated with the supply approved by the Administration for each category of consumption shall not include any type of tax.

In the event that gas activities are subject to taxes of a regional or local nature, the quota of which is obtained by means of non-uniform rules for the whole of Spain, the resulting gas price, or tolls, fees or tariffs of last resort, may include a territorial supplement, which may be different in each Autonomous Community.

2. In order to ensure greater transparency in gas supply prices, marketers shall break down the user billing in the manner determined by regulation, at least the amounts corresponding to the prices and taxes on gas consumption, as well as territorial supplements where applicable.

Article 96. *Collection and settlement of tolls and fees.*

Tolls and charges for the use of the gas network shall be charged by undertakings carrying out the transmission and distribution activities, and the amounts paid must be applied in accordance with the provisions of this Law.

The procedure for the distribution of funds paid by carriers and distributors between those carrying out the activities included in the gas system shall be established by regulation, taking into account the remuneration due to them in accordance with this Law.

Article 97. *Price liberalisation.*

1. Where the market situation makes it advisable, the government may agree to liberalise, in whole or in part, the tariffs, tolls and charges regulated in this Chapter.

2. Exceptionally, the Government may set maximum gas prices applicable by marketers to sales made to qualified consumers, where the lack of development of the gas market or market dominance makes it advisable.

CHAPTER VIII

Security of supply

Article 98. Security of supply.

1. Natural gas marketers shall be obliged to have minimum safety stocks expressed in equivalent days of their firm sales to final consumers in Spanish territory.

Direct Consumers in the Market, shall be obliged to have minimum security stocks expressed in equivalent days of their firm consumption in the part not supplied by a marketer.

2. This obligation may be fulfilled by the liable party with gas owned by him or by leasing and contracting, where appropriate, the corresponding storage services. The Government will determine on the basis of the availability of the system the number of days equivalent to minimum security stocks.

3. The proportion of minimum security stocks that will be strategic in nature and those that will be operational shall be determined by regulation, as well as the manner in which they may be counted and the persons responsible for their establishment, maintenance and management.

The establishment, maintenance and management of minimum security stocks of a strategic nature may be carried out by the Corporation referred to in Article 52 under such conditions and proportions as may be established by regulation.

Minimum security stocks shall be kept in basic storage and in such proportions as may be determined by regulation, without prejudice to the provisions of article 78.4 of this Law.

4. The Minister of Industry, Energy and Tourism is empowered to establish the form and conditions under which obligated subjects in Spain and, where appropriate, the Corporation of Strategic Reserves of Petroliferous Products can fulfil their obligation by creating reserves in Member States of the European Union. It may also determine the form and conditions under which persons bound in those countries may constitute minimum security stocks on Spanish territory.

Article 99. Diversification of supplies.

1. Natural gas marketers shall diversify their supplies where, in the sum of all of them, the proportion of those coming from the same country exceeds 60 %.

The Ministry of Industry, Tourism and Trade shall develop the conditions for compliance with this obligation in accordance with the market situation and may modify the percentage referred to in the preceding paragraph, upwards or downwards, in accordance with the evolution of international natural gas markets.

2. Under the terms laid down by regulation, the Ministry of Industry, Tourism and Trade may require similar obligations to diversify supplies to those laid down in the preceding paragraph on direct consumers on markets for the part of their consumption not purchased from traders where, by reason of their volume and origin, they may have a negative impact on the balance of supplies to the Spanish market.

3. The supply of gas purchased to meet the consumption of facilities with guaranteed alternative supplies of another fuel shall be exempted from the diversification obligation.

Article 100. Control by the Administration.

The competent authority may inspect compliance with the safety and diversification requirements and conditions laid down in the preceding articles, requesting, where appropriate, all necessary information.

In cases where this competence falls within the competence of the General State Administration, the inspection and control of minimum security stocks and diversification shall be carried out by the Corporation for Strategic Reserves of Petroleum Products referred to in Article 52. The functioning and participation of the individuals acting in the gas sector as members of the said Corporation shall be determined by regulation.

The Ministry of Industry, Energy and Tourism in collaboration with the Corporation for Strategic Reserves of Petroleum Products shall prepare and publish, by 31 July each year, a report containing the results of the monitoring of security of supply aspects, as well as the measures taken or planned to address the problems identified.

Article 101. Emergency situations.

1. The Government shall establish for emergency situations the conditions under which the strategic natural gas reserves referred to in this Title may be used by those required to maintain them.

2. The Government in situations of shortage of supply or in situations where the security of persons, appliances or installations or the integrity of the network may be threatened may, with such duration and exceptions as may be determined, inter alia, take any or any of the following measures:

- a) Temporarily limit or modify the gas market.
- b) Establish special obligations for minimum natural gas security stocks.
- c) Suspend or temporarily modify access rights.
- d) To amend the general conditions of regularity in supply in general or for certain categories of consumers.

- e) Subject to administrative authorisation sales of natural gas for consumption abroad.
- f) Any other measures, which may be recommended by international organisations, to which Spain is a party or which are determined in application of the conventions to which it is participating.

In relation to such measures, the remuneration scheme applicable to activities affected by the measures adopted shall also be determined by ensuring, in any event, a balanced distribution of costs.

3. The Government shall encourage cooperation with third countries in order to develop coordinated mechanisms in the event of emergencies or shortages of supply, as well as to comply with the obligations arising from the international commitments undertaken.

4. The Government shall notify the European Commission and the other Member States of the measures taken.

5. The Ministry for the Ecological Transition will monitor the proper implementation by the system's agents of the measures taken by the Government in the event of emergency situations and draw up a report to be made available immediately to the National Commission on Markets and Competition. The Technical Manager of the System, the Corporation of Strategic Reserves of Petrol Products, and other subjects of the gas system will provide for this purpose all the documentation requested.

Article 102. *Occupation of the public domain, heritage and areas of public servitude.*

1. Holders of concessions, permits or authorisations, as referred to in Article 103.2 of this Law and in the same cases as those provided for therein, shall have the right to occupy the public domain, property and areas of public servitude.

2. The authorisation for the specific occupation of the public domain, property and areas of public servitude shall be agreed by the competent body of the public administration which owns those assets or rights.

The conditions and requirements to be laid down by the administrations holding the goods and rights for the occupation of the property must in any case be transparent and non-discriminatory.

3. Without prejudice to the application of the provisions of the preceding paragraphs, the provisions of local law shall apply to authorisations for the occupation of property or rights of local ownership.

TITLE V

Rights of occupation of the public domain, forced expropriation, servitude and limitations to property

Article 103. *Declaration of public utility.*

1. The following facilities are declared to be of public utility for the purposes of forcible expropriation and exercise of servitude:

a) The facilities and services necessary for the development of the research and exploitation activities referred to in Title II.

b) Refining facilities, both newly constructed and existing ones, pipeline transport and oil product storage facilities, as well as the construction of other fixed means of transporting liquid hydrocarbons and their storage facilities.

c) The installations referred to in Title IV of this Law.

2. Holders of concessions, permits or authorisations for the development of such activities or for the construction, modification or extension of facilities necessary for such activities shall enjoy the benefit of forced expropriation and temporary occupation of goods and rights that require the necessary facilities and services, as well as the ease of passage and limitations of ownership, where necessary for access routes, pipelines and distribution of hydrocarbons, including those necessary to attend to the surveillance, maintenance and repair of the facilities.

Article 104. *Application for recognition of public utility.*

1. For the recognition of the public utility of the installations referred to in the preceding article, it shall be necessary for the undertaking concerned to request it, including a specific and individualised list of the property or rights that the applicant deems necessary to be expropriation or occupation.

2. The request shall be submitted to public information and reports shall be collected from the bodies concerned.

3. Once the procedure has been completed, recognition of public utility will be agreed by the Ministry of Industry and Energy, if the installation is authorised by the State, without prejudice to the competence of the Council of Ministers in the event of opposition from bodies or other bodies governed by public law, or by the

competent body of the Autonomous Communities in other cases.

Article 105. *Effects of the declaration of public utility.*

The declaration of public utility shall in any case imply the need to occupy the property or to acquire the rights concerned and shall imply urgent occupation for the purposes of Article 52 of the Law on Forced Expropriation of 16 December 1954.

Article 106. *Supplementary law.*

The provisions of the general legislation on forced expropriation and in the Civil Code, where appropriate, shall apply in addition to the subject matter covered by this Title.

Article 107. *Servitudes and authorisations of passage.*

1. The servitudes and authorisations of passage established in accordance with the provisions of this Chapter shall be taxed on the property of others in the manner and with the scope laid down in this Law and shall be governed by the provisions of this Law, in its implementing provisions and in the legislation referred to in the preceding article.

2. Servitudes and authorisations of passage shall include, where appropriate, the occupation of the subsoil by installations and pipelines at the depth and with the other characteristics indicated by municipal regulations and ordinances.

3. Easements and authorisations shall also include the right of passage and access, and temporary occupation of land or other property necessary for the monitoring, maintenance and repair of facilities and pipelines.

4. The condition for private estates arising from the construction of gas installations and pipelines shall be as follows:

- a) Forced expropriation of the land on which fixed surface installations are to be built.
- b) For pipelines and communications cable:

1. ° Permanent servitude of passage, in a strip of land of up to four (4) meters, two on each side of the axle, which shall be specified in the authorisation resolution, along the channelling through which the pipe or pipes required for driving will be buried. This servitude, which is established, shall be subject to the following limitations of domain:

1. Prohibition of ploughing or similar work at a depth of more than 50 centimetres, and of planting high-stem trees or shrubs at a distance of less than two metres, counting from the axis of the pipe(s).

ii. Prohibition of carrying out any type of work, construction, building, or any act that could damage or disturb the proper functioning of the installations, at a distance of less than 10 metres (10 m) from the axis of the route, on both sides of the route. This distance may be reduced provided that the conditions laid down in each case by the competent body of the public administration are expressly requested and met.

iii. Allow the free access of personnel and equipment necessary to monitor, maintain, repair or renovate the facilities with payment, where appropriate, for any damage caused.

iv. Possibility to install signaling or delimitation milestones and ventilation pipes, as well as to carry out surface or underground works necessary for the execution or operation of the installations.

2. ° Temporary occupation of the land necessary for the execution of the works of the strip that will be reflected, for each farm, in the plots of expropriation. In this area, any obstacles shall be temporarily removed and the works necessary for the laying and installation of the pipeline and associated elements shall be carried out, carrying out the work and operations required for that purpose.

5. The conditions and limitations to be imposed in each case for safety reasons may be amended in accordance with the Regulations and Technical Standards to be issued for the purpose.

TITLE VI

Infringements and penalties

Article 108. *Infringements.*

1. Administrative offences are the acts and omissions defined in the following articles.

2. Administrative offences provided for in this Law shall be without prejudice to any civil, criminal or other liability which may be incurred by the owners of the undertakings carrying out the activities to which they relate.

Article 109. *Very serious violations.*

1. These are very serious infringements:

a) The carrying out of activities falling within the scope of this Law or the construction, extension, operation or modification of installations without the necessary concession, administrative authorisation, responsible declaration, communication or entry in the relevant register where applicable or non-compliance with the contents, requirements and conditions thereof when manifestly endangering persons or property or the environment.

b) The use of instruments, appliances or components subject to industrial safety without complying with the technical standards and obligations which, for safety reasons, are required to assemble the apparatus and installations involved in the activities covered by this Law when they cause serious danger or damage to persons, property or the environment.

c) Any fraudulent manipulation aimed at altering the price or quality of petroleum products or fuel gases or measuring the quantities supplied.

d) Refusal to admit inspections or verifications by the competent authority, including the CNE, or obstruction of its practice.

e) The irregular application of prices, tariffs or tolls of those regulated in this Law or in the implementing provisions thereof, in such a way that there is an alteration in the price of more than 15 % and provided that it involves an alteration of more than EUR 300 000.

f) Repeated failure to comply with the obligations resulting from the application of the tariff system or the collection criteria. Failure to comply with the obligations of the tariff system shall mean the failure or delay in the payment of the amounts resulting from the settlement of regulated activities or the entry of earmarked quotas, the undue declaration of revenue and costs and declarations made after the deadline.

g) Failure to comply with legally binding decisions and injunctions made by the competent administration, including the National Energy Commission, or by the Technical System Manager within the scope of its functions, where it is relevant to the operation of the system.

h) The performance of incompatible activities, as well as the failure of the persons obliged to do so to comply with the obligation of property separation, functional separation and separate accounts in accordance with the provisions of this Law and its implementing rules.

i) Failure to communicate to the Ministry of Industry, Energy and Tourism or failure to comply with the conditions or obligations established, in the event of the acquisition of shares in companies, in accordance with the ninth additional provision of Law 3/2013 of 4 June 2013 establishing the National Commission for Markets and Competition.

j) Repeated failure to comply with any reporting obligations arising from the application of the current regulations or resulting from prior request by the administration including the CNE, or the Technical Manager of the System.

k) The refusal to supply gas by pipeline or packaged LPG to consumers under tariff or regulated prices in accordance with Titles III and IV of this Law and implementing provisions.

l) The repeated failure of the parties required to do so, in accordance with the current regulations, with the conditions of quality and continuity of the service.

m) Failure to comply with statutory or regulatory obligations on minimum security stocks, in accordance with Titles III and IV, where they result in a significant alteration of the minimum stock regime.

n) Failure to comply with the statutory and regulatory obligations laid down in Title IV of the Law on diversification of supplies, when it involves a significant alteration of the said diversification regime.

o) Acts or omissions involving non-compliance with the measures established by the Government pursuant to the provisions of this Law on emergency situations or shortages of supplies under Titles III and IV by persons carrying out activities covered by this Law and having a significant impact on the said supply.

p) The unwarranted interruption or suspension of the activity carried out by means of an administrative concession or authorisation, where this would result in a significant damage to the functioning of the system.

q) Failure to comply with the accounting obligations due under this Law. Such non-compliance shall include the existence in the accounting documentation of essential defects or irregularities that prevent the institution's financial and financial situation from being known.

r) The refusal or unwarranted alteration of third party access to network facilities in the cases regulated by this Law and its implementing rules.

s) Failure by the operators of the installations to comply with their obligation to maintain the facilities in appropriate conditions of conservation and technical suitability, following, where appropriate, the instructions given by the competent administration, where such non-compliance would manifestly endanger persons, property or the environment.

- t) The distributor's failure to comply with its obligation to carry out inspection visits to existing reception facilities with the periodicity defined by the current regulations.
- u) Failure by operators to carry out the calculation of the physical balance of the gas passing through their installations in the form and at such intervals as is necessary for the proper functioning of the system.
- v) Failure by the technical manager of the system to comply with the obligations laid down in Article 64(1) and (3)(f), (i), (o) and (p) of that law.
- w) Non-compliance with the technical management rules of the system, where this affects the continuity and security of natural gas supply.
- x) The continued non-compliance by operators of installations with their obligation to manage the verification of their measuring equipment, the volume and characteristics of gas and the installations of supply points connected to their networks, using the services of an accredited entity for that purpose.
- y) The interruption or suspension of supply without measuring the legal or regulatory requirements laid down or outside the cases envisaged.
- z) Failure to comply with economic obligations in the event of imbalance arising from the regulation established by the Technical Management Standards of the system.
- (a) (a) Non-compliance with obligations to be established related to the achievement of the annual targets for the minimum content of biofuels and other renewable fuels.
- a (b) Failure by the operator of the organised gas market to comply with the functions referred to in paragraphs (c) and (d) of Article 65 ter.1, under the terms of this Law and its implementing regulations, where this leads to damage to the system or other subjects.
- a (c) The repeated failure of independent system operators or owners of the installations they have transferred to them to comply with the obligations laid down in Article 63c of this Law.
- a (d) Failure to comply with the obligation to supply the packaged LPG home.
- a (e) Failure to comply with the limitations to be established as regards participation in the shareholding of ENAGAS, S.A. and the lack of communication as defined in Article 63a.2 of any circumstances which may affect compliance with the requirements established for undertakings certified as Transmission System Managers.
- a (f) The repeated non-compliance by the subjects of the system with their obligations to inform or communicate to other subjects of the system, as well as the repeated non-referral of the information in the form and time required.
- a (g) The inaccuracy or falsity in any information, statement or document submitted to the public administration, as well as its failure to present it in form and time, for the purpose of determining or receiving the remuneration scheme for activities with regulated remuneration, provided that this entails an impact on the costs of the system exceeding 5 per cent of the subject's annual regulated remuneration.
- a (h) The resistance, obstruction, excuse or refusal of inspection actions that have been agreed in each case by the competent public administration, including the National Commission for Markets and Competition, and the Corporation for Strategic Reserves of Petroleum Products.
- a (i) Failure by those required to do so by the legislation in force to comply with the obligations to preserve the measures established pursuant to Article 101 by those engaged in any of the activities regulated therein.
- a (j) Failure by those required to do so under current regulations to preserve and manage access to information which is confidential.
- a (k) Failure to comply with the conditions laid down in the implementing legislation in order to be entitled to receive the remuneration scheme for activities with regulated remuneration, unless expressly categorised as serious.
- (l) Failure by those responsible for the measuring point to have the measurement and control equipment and other devices that have been established in such a way as to prevent or alter the correct measurement and invoicing, or where such non-compliance poses serious danger or damage to persons, property or the environment; as well as the refusal or obstruction of access to reading officers, verifiers or bodies authorised by the public administration responsible for reading or checking equipment.
- a (m) Failure by those required to do so to comply with the current regulations on the installation of measuring equipment, and other information and communication processing devices necessary for the proper functioning of the system of measures, as well as non-compliance with the security and privacy criteria established by regulation.
- a (n) The repeated failure by those required to do so by the legislation in force to carry out the processes of registration, reading and processing of the measures and exchanges of information, as well as the transmission of the information or, where appropriate, its making available to the addressees to whom they are obliged to refer it in accordance with the terms, within the time and form laid down by regulation.
- (a) The inaccuracy or distortion of the information relating to the measure submitted by those required to do so by the legislation in force, where this results in a significant increase in the costs of the system or a significant

reduction in the revenues of the system.

a(o) Continued failure by those required to do so in accordance with the current regulations to comply with their obligation to manage the verifications of measuring equipment.

a (p) Any manipulation of measuring equipment or installations or the non-disposition of the necessary devices, aimed at altering the measurement of the quantities supplied or consumed or of any of the concepts which serve as the basis for the billing of the energy supplied or consumed.

a (q) Unjustified refusal or alteration of the permit to connect to a point on the network. The refusal shall be deemed to be unjustified if it does not comply with the provisions of this Act and the implementing measures adopted by the Government.

a (r) The establishment of mechanisms other than those provided for in this Act and in the implementing regulations adopted by the Government for the granting of connection and access permits or for prioritisation in the granting of such permits.

(a)(a) The granting of access permits or connection permits when the necessary capacity is not available in accordance with the conditions and criteria established by the Government by regulation.

a (t) Failure to comply with the limitations laid down in Article 65b.2 of this Law on the shareholding of the operator of the organised gas market.

a(u) Failure on the part of distributors or hauliers to comply with their obligations to supply new supplies or to extend existing supplies to them in the areas in which they operate, where this is required in accordance with the implementing rules.

a (v) Failure on the part of distributors or marketing undertakings to apply appropriate consumer protection measures, in accordance with this Law and its implementing legislation, where this leads to economic damage to the persons concerned.

a (w) Failure by distributors to comply with the requirements of legal, technical and economic capacity laid down in this Law and its implementing regulations.

(x) The non-formalisation of contracts for supply and access to networks by those obliged to do so in accordance with the rules in force.

a (y) Any other action in the supply or consumption of natural gas involving a percentage alteration of the reality of what is supplied or consumed greater than 15 per cent and which, at the same time, exceeds EUR 300 000.

a (z) Failure by distributors to comply with the obligations laid down in the performance of their duties, unless expressly categorised as serious.

B (a) Failure by dominant operators to comply with the restrictions imposed by the legislation in force.

B(b) The inaccuracy, falsity or omission in any information or statement, of an essential nature, about compliance with the requirements set out in the responsible declaration or the communication provided by the interested parties.

B(c) Carry out the activity of gas installer or gas installer without the corresponding administrative authorisation or installer's license in accordance with the regulations in force when it poses a risk to the safety of persons or goods.

B(d) Not to install or unduly manipulate tax measuring devices for hydrocarbons produced in concessions for the exploitation of hydrocarbons.

B(e) Failure to comply with the limitations and obligations laid down in Article 43a(1).

B(f) The hoarding and substantially lower utilisation of the capacity of fixed facilities for the storage and transport of petroleum products which, in accordance with the provisions of Article 41 of this Law, must allow third parties access.

2. In addition, serious infringements of the following article are very serious infringements where, during the three years preceding its commission, a final penalty for the same type of infringement had been imposed on the infringer.

Article 110. Serious infringements.

Serious infringements are the conduct referred to in the previous article where, because of the concurrent circumstances, it cannot be classified as very serious and in particular:

a) Conduct referred to in points (a) and (b) of the preceding article where persons, property or the environment are not manifestly endangered.

b) Irregular application of prices, tariffs or tolls in such a way as to alter the price of less than 15 % and more than 5 % and provided that the price changes more than EUR 30 000.

c) Any other action in the supply or consumption of Gas, involving a percentage alteration of what is supplied or consumed in excess of 10 % and provided that it involves an alteration of more than EUR 30 000.

d) Failure to comply with legally binding decisions and requests made by the competent administration, including the National Energy Commission, or by the Technical System Manager within the scope of its functions, where there is no significant harm to the functioning of the system.

e) Failure to comply with the obligations resulting from the application of the tariff system or the collection criteria. Failure to comply with the obligations of the tariff system shall mean the failure or delay in the payment of the amounts resulting from the settlement of regulated activities or the entry of earmarked quotas, the undue declaration of revenue and costs and declarations made after the deadline.

f) Failure to comply with any reporting obligations arising from the application of the regulations in force or resulting from prior request by the Administration, including the National Commission for Markets and Competition, the Corporation of Strategic Reserves of Petroleum Products or the Technical Manager of the System.

In addition, the failure of the subjects of the system to provide information or communication to other subjects of the system shall be considered a serious breach. Failure to forward the information in such form and time as may be required shall also be considered a serious infringement.

g) Unjustified refusal to supply petroleum products or combustible gases to consumers and users to whom administratively approved tariffs or prices do not apply.

h) Unjustified refusal to supply petroleum products to consumers and users to whom administratively approved tariffs or prices apply.

i) Repeated failure by the supplier to apply the corresponding discounts to consumers affected by interruptions under the conditions laid down in the implementing legislation.

j) Acts or omissions involving non-compliance with the measures established by the Government pursuant to the provisions of this Law on emergency situations or shortages of supply under Titles III and IV by persons engaged in activities covered by this Law and having no appreciable impact on the said supply.

k) Failure by the obligated parties in accordance with the provisions of this Law and its implementing rules to carry out external audits in cases where this is required.

l) Failure by operators of regasification, storage and transport facilities to comply with the obligation to publish the capacity of their facilities, or publication thereof without complying with the conditions laid down.

m) Failure by hauliers, distributors, marketers or, in general, operators of the installations to comply with the obligations laid down in this Law and implementing regulations where, due to the concurrent circumstances, it is not classified as a very serious or minor infringement.

n) Failure by the technical manager of the system to comply with the obligations laid down in this Law and implementing regulations where, due to the circumstances involved, it cannot be considered to be very serious.

o) Non-compliance with the technical management rules of the system, where this does not affect the continuity and security of natural gas supply.

p) Failure on the part of those entitled to access to their obligation to communicate to the operators of the installations with whom they have signed the access contracts and to the technical manager of the system their supply and consumption programme in the manner established, as well as any impact that may substantially vary those forecasts.

q) Failure on the part of consumers to comply with their obligation to have the necessary measuring equipment and to allow operators access to the installations to which they are connected, and to manage the periodic verification of such equipment where the operation of the gas system is adversely affected.

r) The placing on the market of liquid hydrocarbons under a brand image that does not correspond to their true origin and quality.

s) Failure to comply with any formal obligations imposed on those engaged in the supply to the public of petroleum products or combustible gases by pipeline in order to guarantee the rights of consumers and users.

t) Failure by natural gas distributors and traders to comply with the obligations to maintain and properly operate a complaints service, complaints, incidents in relation to the contracted or offered service, requests for information on procurement and supply aspects including a telephone service and telephone number both free of charge as well as consumer protection measures in accordance with the provisions of this Law and its implementing regulations.

u) Non-compliance by the obligated parties with the regulations and decisions of the European Union applicable to them in the hydrocarbon sector. In particular any infringement of the provisions of Regulation No 1227/2001 of 25 October 2011 on the integrity and transparency of the wholesale energy market or its implementing legislation, as laid down in Regulation (EU) No 1227/2001 of 25 October 2011 on the integrity and transparency of the wholesale energy market or its implementing legislation, as well as any infringement for failure to comply with Regulation No 715/2009 of 13 July 2009 on conditions for access to natural gas transmission networks and its implementing rules.

v) Failure by independent system operators or owners of the installations they have transferred to operate

to comply with the obligations laid down in Article 63c of this Law.

w) Failure by the operator of the organised gas market to fulfil its functions and obligations in accordance with Article 65.ter.1 and its implementing rules, unless expressly considered to be very serious.

x) The inaccuracy or falsity in any information, statement or document submitted to the public administration, as well as its failure to submit it in form and time, for the purpose of determining or receiving the remuneration scheme for activities with regulated remuneration, which has an impact on the costs of the system that is between 1 and 5 per cent of the person's annual remuneration.

y) Failure to comply with security measures, even if they do not pose a manifest danger to the property.

z) Failure by those required to do so by the legislation in force to carry out the processes of registration, reading and processing of the measures and exchanges of information, as well as the transmission of the information or, where appropriate, its making available to the addressees to whom they are obliged to refer it in accordance with the terms, within the time and form laid down by regulation.

(a) (a) Failure by those required to do so in accordance with the legislation in force to comply with their obligation to manage verifications of measuring equipment, where it has not been classified as a very serious infringement.

a (b) Non-compliance by the parties required to do so in accordance with current regulations, with the requirements relating to the quality of the service or with the conditions of quality and continuity of service.

a (c) Unwarranted delay in the start of the provision of the service to new users.

a (d) Failure on the part of distributors or marketers to maintain a database of all supply points connected to their networks and to the transmission systems in their area, to allow access to it, as well as to provide the necessary IT systems to enable the data from the supply point register to be consulted and the computerised receipt and validation of requests and communications with consumers and energy marketers.

a (e) Repeated and unjustified failure to comply with the deadlines and contents established for communications with any of the parties that must intervene in the change of supplier or in the implementation of modifications to the terms of the contracts.

a (f) The repeated failure of marketers to comply with the requirements established for the conclusion of contracts for the supply of natural gas, as well as with the conditions of contracting and seizure with customers.

a (g) The creation of confusion in the information and presentation of the trade mark and brand image of the relevant distributors and marketing undertakings forming part of a group of companies engaged in regulated and free activities as provided for in this Law, with regard to the identity of the subsidiaries of the same group carrying out marketing activities.

a (h) Failure by distributors or marketers to comply with their obligations and to comply with the requirements laid down by the legislation in force for carrying on the activity, unless expressly defined as very serious or minor.

a (i) Failure by distributors or marketers to comply with their obligation to implement demand management programmes approved by the public administration.

a (j) The carrying out, both by the owners of the affected land and by any other person, of acts involving a breach of the established limitations to the domain or an invasion of the permanent easement of passage imposed for hydrocarbon pipelines, in accordance with Article 107(4)(b) which prevents or hinders the free access of personnel and equipment necessary to be able to monitor, maintain, repair or renovate the facilities.

In particular and without limitation, the planting of trees in the permanent easement strip of passage, the construction of buildings at a distance less than that established without the authorisation provided for in Article 107 of this Law, shall be regarded as unlawful acts; the removal of signaling milestones or ventilation tubes or the performance of any act likely to affect the safety of persons or installations.

a (k) Carry out the activity of gas installer or gas installer without the corresponding administrative authorisation or installer's license in accordance with current regulations.

(l) The inaccuracy, falsity or omission in any non-essential data or statement of compliance with the requirements set out in the responsible declaration or communication provided by the interested parties.

a (m) Failure on the part of operators of operating concessions to pay the owners of the above-mentioned land to pay them.

a (n) Non-compliance by wholesale operators with the limits on the number of service stations and on exclusive supply links in the geographical areas where the legally established market shares are exceeded.

(a) Any practice of wholesale operators which is aimed at determining directly or indirectly the price of the sale of fuel to service stations, where it is not considered to be very serious.

a (o) The failure of marketers to comply with the obligations laid down in the regulations relating to procurement practices and customer relations.

a (p) Failure by operators of installations to supply fuel and fuel to vehicles to comply with their obligations to install electric recharging points.

Article 111. Minor infractions.

Minor infringements are:

- a) Failure by the parties to do so to comply with their obligations in connection with the conclusion of supply contracts where it is not considered a serious or very serious infringement.
- b) Failure to comply with obligations arising from the technical management rules of the system which do not constitute a very serious or serious infringement in accordance with Articles 109 and 110 where such non-compliance does not adversely affect the functioning of the gas system.
- c) Unwarranted failure to comply with the deadlines established for communications with marketers and customers and for the change of supplier, as well as for any modification of the terms of the contracts.
- d) The failure of marketers to comply with the requirements for contracting and taking over customers.
- e) The failure of marketers and distributors to comply with any information requirements required in their invoices.
- f) The unlawful application of prices, tariffs or tolls and charges for those regulated in this Law or in the implementing provisions thereof, in such a way as to cause an alteration in the price, where it is not considered a serious or very serious infringement.
- g) The inaccuracy or falsity in any information, statement or document submitted to the public administration, as well as its failure to present it in form and time, for the purpose of determining or receiving the remuneration scheme for activities with regulated remuneration, which has an impact on the costs of the system not exceeding 1 per cent of the person's annual regulated remuneration.
- h) Non-compliance with the usage limitations established on the land affected by the construction of facilities for the production, transport or supply of hydrocarbons.

Article 112. Graduation of sanctions.

The following circumstances shall be taken into account in determining the relevant penalties:

- a) The danger resulting from the infringement to human life and health, the safety of things and the environment.
- b) The importance of the damage or deterioration caused.
- c) Damage to the continuity and regularity of supply to users.
- d) The degree of participation and the benefit obtained.
- e) Intentionality or repetition in the commission of the offence.
- f) The repetition by commission of more than one year of an infringement of the same nature, where it has been declared by a final decision.

Article 113. Penalties.

1. The offences referred to in the preceding articles shall be penalised:

- a) Very serious infringements, with a fine of up to EUR 30 000 000.
- b) Serious infringements, with a fine of up to EUR 6 000 000.
- c) Minor infringements, with a fine of up to EUR 600 000.

Notwithstanding the limits set above, in the case of penalties imposed by the National Energy Commission, the amount may never exceed the following percentage of the amount of the annual turnover of the infringing undertaking, or of the consolidated annual turnover of the parent company of the vertically integrated group to which it belongs:

- a) 1 percent in minor infractions.
- b) 5 percent in serious infractions.
- c) 10 percent in very serious infractions.

2. Where a quantifiable benefit is obtained as a result of the infringement, the fine may reach up to twice the profit obtained.

3. The amount of the penalties shall be graduated on the basis of proportionality criteria and the circumstances specified in the previous Article.

4. The commission of a very serious infringement may entail the revocation or suspension of the administrative authorisation and the consequent temporary disqualification from the exercise of the activity for a maximum period of one year. The revocation or suspension of authorisations shall in any case be agreed by the competent authority to grant them.

5. The application of the penalties provided for in this Article shall be without prejudice to other legally enforceable responsibilities.

6. Penalties imposed for very serious infringements, once final, shall be published in the form determined by regulation.

To that end, the authorities acting shall inform the competent authority of the facts.

7. For the purposes of this Law, a non-compliance shall be deemed to be repeated where, within the year immediately preceding its commission, the person concerned has been penalised by a final administrative decision in accordance with the same infringement.

Article 114. Periodic penalty payments.

In order to ensure compliance with the resolutions or information requests issued by them, the Ministry of Industry, Energy and Tourism or the National Commission for Markets and Competition may impose periodic penalty payments of between 100 and EUR 10 000 per day, as provided for in Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administrations and the Common Administrative Procedure.

The amount of the fines shall be fixed on the basis of the following criteria:

- a) The danger resulting from the infringement to human life and health, the safety of things and the environment.
- b) The importance of the damage or deterioration caused.
- c) Damage to the continuity and regularity of supply.
- d) The economic damage caused.

Periodic penalty payments shall be independent of and compatible with the penalties that may be imposed.

The amount of periodic penalty payments provided for in this provision shall be paid to the State Treasury.

Article 115. Penalty procedure.

1. The procedure for imposing penalties shall be in accordance with the principles of Articles 127 to 138 of Law 30/1992 of 26 November 1992 on the legal regime for public administrations and the common administrative procedure, and with the provisions of Royal Decree 1398/1993 of 4 August 1993 approving the rules governing the procedure for the exercise of the power to impose penalties or the corresponding regional legislation, without prejudice to the fact that special procedural rules for the imposition of penalties provided for in this Law are established by regulation.

2. The maximum time limit for resolving and notifying in penalty proceedings for administrative offences covered by this Law shall be 18 months in cases for very serious and serious infringements, and nine months when they are initiated for minor offences. On expiry of this period without express decision, the corresponding Director-General of the Secretary of State for Energy or, where appropriate, the body of the National Commission for Markets and Competition which has such competence, shall declare the proceedings to be time-barred and order the closure of the proceedings, with the effects provided for in Article 92 of Law 30/1992 of 26 November 1992.

Article 116. Powers to impose sanctions.

1. In the context of the General State Administration:

1.1 The power to impose penalties for infringements shall be vested in:

- a) The Council of Ministers for the imposition of sanctions for the commission of very serious infringements.
- b) To the head of the Ministry for the Ecological Transition for the imposition of penalties for the commission of serious infringements.
- c) To the head of the Directorate-General for Energy Policy and Mines of the Secretary of State for Energy for the imposition of penalties for minor infringements.

1.2 It shall be competent to impose penalties for the commission of the following administrative offences within the scope of its competence:

a) Those classified as very serious in paragraphs (a), (b), (c), (d), (e), (e), (f), (g), (i), (j), (k), (m), (o), (q), (t), (v), (w), (aa), (aa), ad, af, ah, ah, ah, aj, ak, (a), am, aa, ao, av, aw, az, bb, bc, bd, bf of article 109.

b) Those classified as serious as referred to in the preceding paragraph where, by the circumstances involved, they cannot be classified as very serious and, in particular, those defined in paragraphs (a), (b), (d), (e), (f), (g), (h), (i), (j), (k), (m), (o), (q), (r), (s), (x), (z), (aa), (ab), (ac), (ah), (ai), aj, (ak), (a), (am), (a), (a), (a), (a) and (ao) of article 110.

c) Those defined as minor in article 111, paragraphs (a), (b), (d), (f), (g) and (h).

2. Within the Autonomous Communities, the provisions of their own legislation will be complied with.

3. The National Commission for Markets and Competition, within its competence, and with regard to fuel

of Law 34/1992 of 22 December 1992, whose relationship under public law was terminated, may continue to operate the point of sale under private law with the body holding the Sunday ownership of the installation and exclusive supply rights.

2. As long as an agreement on the terms of operation of the point of sale and the supply of petroleum products with the Sunday operator of the facility is not formalised in writing, the conditions in force at the time of termination of the relationship under public law shall continue to apply.

3. In any event, former agents and managers shall have the right to remain on the holding for the remainder of the period initially granted and shall receive a commission for the sale of the products on behalf of the operator of the installation, the amount of which may not be lower than that established in the relations between that operator and the commissioners operating as lessees other premises owned by them.

4. The spouse and the children may be subrogated to the holding in the cases and under the conditions laid down in the legislation applicable to the relations processed.

Fourth. Fourth. *Authorisations granted under Law 34/1992 of 22 December 1992.*

Authorisations granted pursuant to Law 34/1992 of 22 December 1992 or declared 'ex lege' by it shall be maintained and fully effective without the need for ratification, in so far as they do not conflict with the provisions of this Law.

Fifth. Fifth. *Oil installations for use by the Armed Forces.*

Inspections and inspections of oil installations for use by the Armed Forces, located within the area and facilities of interest to the National Defence, shall be carried out by the relevant organs of the Armed Forces.

Sixth. — Yeah. *Extinction of concessions.*

1. Upon the entry into force of this Law, all concessions for activities included in the public service of supplying fuel gases by pipeline are extinguished.

Such concessions are automatically replaced by administrative authorisations provided for in Title IV of this Law which empower the holder to carry out the activities, by means of the corresponding installations, which are the subject of the extinguished concessions.

2. Such authorisations shall be for an indefinite period and the reversal of installations referred to in Article 7(c) of Law 10/1987 of 15 June 1987 is expressly extinguished.

Seventh. Seventh. *Maritime transport of liquid and solid hydrocarbons.*

The maritime transport of hydrocarbons shall in any case comply with the regime established by Law 27/1992 of 24 November 1992 on State Ports and Merchant Navy, as well as the provisions of its implementing legislation.

Eighth. *Rejection of decisions.*

Applications for administrative decisions to be issued in accordance with the provisions of this Law may be deemed to have been rejected, unless an express decision is taken within such time limit as may be laid down for that purpose or laid down in its implementing provisions.

Ninth. Novena. *Update of the amount of penalties.*

The Government, by Royal Decree, shall periodically update the amount of the penalties laid down in Title VI, taking into account changes in consumer price indices.

Tenth. Tenth. *Intervention by a company.*

1. Where failure to comply with the obligations of companies carrying out the activities and functions regulated by this Law is likely to affect the continuity and security of the supply of hydrocarbons, and in order to ensure its maintenance, the Government may agree to the intervention of the relevant undertaking in accordance with the provisions of Article 128.2 of the Constitution, taking appropriate measures to do so.

For this purpose, the following shall be the causes of intervention by an undertaking:

- a) The suspension of payments or bankruptcy of the company.
- b) Irregular management of the activity where it is attributable to it and may result in its cessation.
- c) The serious and repeated lack of adequate maintenance of the facilities which endangers the safety of the installations.

2. In the above cases, if the undertakings carrying out activities and functions or those referred to in this Law do so exclusively through installations whose authorisation falls within the competence of an Autonomous

Community, the intervention shall be granted by the Autonomous Community.

11st. National Energy Commission.

First, first. **(Repealed).**

Second. Second. **(Repealed).**

Third. Third. **(Repealed).**

I'm fourth. **(Repealed).**

Fifth. Fifth. **(Repealed).**

Uh, sixth. General objectives and relationship of the National Energy Commission with the Agency for the Cooperation of Energy Regulators and with the Regulatory Bodies of the other Member States of the European Union.

1. In the exercise of the functions specified in this Law, and in cooperation with other national regulatory authorities or the equivalent bodies of the Autonomous Communities, and without prejudice to their competences, the National Energy Commission shall take all reasonable measures to contribute to the achievement of the following objectives:

a) Promote the competitive functioning of the energy sector to ensure the effective availability and delivery of competitive and quality services, as regards the supply of electricity and liquid and gaseous hydrocarbons, to the benefit of the market as a whole and of consumers and users.

b) Promote, in cooperation with the Agency for the Cooperation of Energy Regulators, the regulatory authorities of the other Member States and the European Commission, a competitive, safe and environmentally sustainable internal market for electricity and natural gas, and effectively open the market to all Community customers and suppliers, as well as to ensure the appropriate conditions for the efficient and reliable operation of electricity and gas networks, taking into account long-term objectives.

c) Develop well-functioning and competitive regional markets in the field of the European Union market, in order to achieve the objective referred to in paragraph (b).

d) Remove restrictions on trade in electricity and natural gas between Member States, including in this objective the development of appropriate cross-border transmission capacity to meet demand and strengthen the integration of national markets that can facilitate the flow of electricity and natural gas through the internal market of the European Union.

e) Contribute to achieving, in the most cost-effective manner, the development of secure, efficient and reliable non-discriminatory networks, targeted at consumers and promoting grid adequacy, and, in line with the general objectives of energy policy, energy efficiency, as well as the integration of large-scale and small-scale production of electricity and gas from renewable energy sources and distributed production in both transmission and distribution networks.

f) To facilitate access to the network for new production capacities, in particular by removing obstacles that could prevent access to new market players and electricity and gas from renewable energy sources.

g) Ensure that network operators and users are given adequate short- and long-term incentives to increase the efficiency of network performance and foster market integration.

h) Contribute to ensuring a high level of service, the protection of energy consumers, especially vulnerable customers, and the compatibility of the data exchange processes necessary for customers to switch suppliers.

2. The National Energy Commission shall appoint a representative from among the members of the Council and a substitute from among its management, for the purpose of contacting and representing the Board of Regulators of the Agency for the Cooperation of Energy Regulators, as provided for in Article 14(1) of Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.

3. The National Energy Commission shall promote contact, collaboration on cross-border issues, regular and regular coordination with the Agency for the Cooperation of Energy Regulators, the European Commission and the Regulatory Bodies of the Member States of the European Union and of other States.

4. Without prejudice to its specific powers, the National Energy Commission shall cooperate with the other regulatory bodies of the Member States of the European Union in order to:

a) To promote the implementation of operational measures, in order to allow for optimal network management, and to promote joint gas and electricity exchanges and cross-border capacity allocation, as well as to allow for an adequate level of interconnection capacity, including through new interconnections, within a region and between regions, so that effective competition and security of supply can be improved, without discrimination between supply undertakings in different Member States.

b) Coordinate the development of all network codes for relevant transmission system operators and other

market players.

c) Coordinate the development of rules governing congestion management.

5. The National Energy Commission may establish cooperation agreements with the other regulatory bodies of the Member States in order to promote regulatory cooperation.

6. The National Energy Commission shall inform the Ministry of Industry, Energy and Tourism of the appointments referred to in paragraph 2. It shall also inform the Ministry of the proceedings carried out pursuant to paragraphs 3 and 4 in such a way as to allow for an up-to-date follow-up and forward a copy of the agreements referred to in paragraph 5.

7. The National Energy Commission shall comply with and implement the relevant and legally binding decisions of the Agency and the European Commission. The National Energy Commission may request an opinion from the Agency for the Cooperation of Energy Regulators on the compatibility of any decision taken by a Regulatory Body with the guidelines referred to in Directives 2009/72/EC and 2009/73/EC or in Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.

8. The National Energy Commission shall forward the annual activity report, including the annual accounts, the organisational situation and the information relating to the staff and activities carried out by the Commission, with the objectives pursued and the results achieved to the Ministry of Industry, Energy and Tourism. It shall report annually to the Agency for the Cooperation of Energy Regulators and the European Commission on its activities and compliance with its obligations.

Twelfth. Twelfth. *Financing of the National Energy Commission.*

(Repealed).

Thirteenth. *Amendment of Law 6/1997 of 14 April 1997.*

The first subparagraph of paragraph 1 of the tenth additional provision of Law 6/1997 of 14 April 1997 on the Organisation and Functioning of the General State Administration is amended:

‘1. The National Securities Market Commission, the Nuclear Safety Council, the RTVE public authority, the Universities not transferred, the Data Protection Agency, the Consortium of the Special Area Canaria, the National Energy Commission and the Telecommunications Market Commission shall be governed by their specific legislation and in addition to this Law.’

Fourteenth. *Foral tax regimes.*

The regulations contained in this Law are without prejudice to the foral tax regimes in force in the Historical Territories of the Basque Country and in the Autonomous Community of Navarre.

Fifteenth. *Cooperative societies.*

Cooperative societies may carry out the activities of retail distribution of petroleum products referred to in Article 43 of this Law with non-member third parties only by setting up an entity with legal personality to which the general tax regime applies. This requirement is not required for agricultural cooperatives.

In order to initiate the activities of retail distribution of petroleum products referred to in the preceding paragraph, cooperatives, including agricultural cooperatives, must have facilities that comply with all technical, safety, metrology or metrotechnics, environmental, urban standards, consumer and user protection, or any other instructions that may be required for vehicle supply facilities and for supply to fixed installations for own consumption, in accordance with Article 43 of this Law.

Sixteenth. *Biofuels and biofuels.*

1. Biofuels are the following products which are intended for combustion in any type of engine, directly or mixed with conventional fuels:

a) Bioethanol: ethyl alcohol produced from agricultural products or plant products, whether used as such or after modification or chemical transformation.

b) Biomethanol: methyl alcohol, obtained from products of agricultural or plant origin, whether used as such or after modification or chemical transformation.

c) Biodiesel: methyl ester produced from vegetable or animal oil.

d) Vegetable oils.

e) All those products to be determined.

2. The distribution and sale of these products shall be governed by the provisions of Title III thereof, whether

they are used as fuels or used by combustion for the production of heat.

3. The following annual targets for biofuels and other renewable fuels for transport purposes, which express minimum energy content in relation to petrol and diesel fuels placed on the market for transport purposes, are set:

	2008	2009	2010
Biofuel content...	1.9 %	3.4 %	5.83 %

The annual target for 2008 will be indicative, while the targets set for 2009 and 2010 will be mandatory.

The Government may amend the objectives set out in the table above and may set additional targets.

The Ministry of Industry, Tourism and Trade, following a report by the Government Delegate Commission for Economic Affairs, is empowered to make the necessary arrangements to regulate a mechanism to promote the incorporation of biofuels and other renewable fuels, aimed at achieving the objectives set out in this Additional Provision. In particular, this mechanism may include the quantification of obligations, indicating the types of product to be met, the obligated subjects, a certification system allowing supervision and control of obligations, as well as flexibility mechanisms that promote maximum efficiency in achieving the objectives.

Seventeenth. *Law 54/1997 of 27 November 1997 on the electricity sector.*

1. Article 12(1) of Law 54/1997 of 27 November 1997 on the electricity sector is amended as follows:

‘1. Activities for the supply of electricity to be carried out in island or extra-peninsular territories shall be subject to a special regulation which will take account of the specificities arising from their territorial location, subject to agreement with the Autonomous Communities or Cities concerned.’

2. A "15th additional provision is included. Island and extrapeninsular electrical systems", in Law 54/1997 of 27 November 1997 on the electricity sector, which reads as follows:

‘1. Electrical planning, which shall be indicative except for transport facilities, in so far as it concerns island or extra-peninsular territories, shall be carried out in agreement with the Autonomous Communities or Cities concerned.

2. In the event that in island or extra-peninsular territories there are situations of certain risk to the provision of electricity supply or situations which may result in a threat to the physical integrity or safety of persons, appliances or installations or to the integrity of the electricity transmission or distribution network, the measures provided for in Article 10 of this Law shall be taken by the Autonomous Communities or Cities concerned, provided that such a measure affects only their respective territorial scope. Such measures will not have an economic impact on the electricity system, unless agreed in advance by the Ministry of Industry and Energy.

3. The determination of the system operator(s) of the electricity zones located in island and extra-peninsular territories shall be the responsibility of the respective Autonomous Community Administration.’

3. A third paragraph is included in the fifteenth transitional provision. Island and extrapeninsular systems of Law 54/1997 of 27 November 1997 on the electricity sector, which reads as follows:

‘The period of transition referred to in the first subparagraph shall not prevent the competent authority from granting authorisations for installations for the production of electricity provided for in Article 21 of this Law.’

Eighteenth. Nuclear Safety Council.

Article 6 of the Law establishing the Nuclear Safety Council is amended as follows:

‘The positions of President, Counsellors and Secretary-General of the Nuclear Security Council are incompatible with any other office or function, whether or not remunerated, by receiving exclusively, for the entire duration of their term of office or office, such remuneration as may be determined in the light of the importance of their function. Upon leaving office and for the following two years, he may not engage in any professional activity related to nuclear safety and radiation protection. The financial compensation to be received under this limitation shall be determined by regulation.’

Nineteenth. Servitudes of passage.

The ease of passage constituted in favour of the basic transmission network, transmission networks and gas distribution networks includes those lines and telecommunications equipment which may pass through

them, whether they are for the service of the gas operation, or for the public telecommunications service and, without prejudice to the justification that might be appropriate, if this servitude might be aggravated.

Similarly, the existing authorisations referred to in Article 103.2 of this Law include those lines and telecommunications equipment that may pass through them, with the same objective scope and autonomy as they result from the previous paragraph.

Twenty-nine. Technical Manager of the System.

The Executive Director of the subsidiary company of ENAGÁS, S.A. exercising the functions of the Technical Manager of the System shall be appointed and dismissed by the Board of Directors of the company, with the approval of the Minister of Industry, Tourism and Trade.

The staff of the subsidiary exercising the functions of Technical System Manager shall subscribe to the code of conduct referred to in Article 63 of this Law guaranteeing their independence from other activities carried out by the business group.

Twenty-first. Interest accrues in the event of non-revenue of assessed contributions for specific purposes.

In the event that the agents of the gas system who are responsible for the payment of the quotas for specific destinations in accordance with Article 9 of Order ECO/2692/2002 of 28 October 2002 regulating the procedures for the settlement of remuneration for regulated activities in the natural gas sector and quotas for specific destinations and establishing the information system to be submitted by the undertakings or the legislation replacing it, they do not comply with their obligation to pay the amounts corresponding to them, interest on late payment shall begin to automatically accrue, which shall be equivalent to the statutory interest on the money increased by 1.5 points.

To this end, the National Energy Commission shall require them, immediately after the expiry of the deadline for payment, to recover the corresponding amounts, without prejudice to the automatic accrual of interest from the day following the end of the period laid down for payment.

The tax applicable to the provision of services and activities by the National Energy Commission in relation to the sector of gaseous hydrocarbons, which shall be governed by its specific legislation, shall be exempt from the provisions of the preceding paragraphs.

The Minister of the Economy is hereby authorised to make all necessary provisions in order to implement and comply with the provisions of this additional provision.

Twenty-second. Interest accrues in the event of non-payment by gas system agents of settlements.

In the event that carriers or distributors responsible for making payments for settlement in accordance with the provisions of Articles 7 and 8 of Order ECO/2692/2002 of 28 October 2002 regulating the procedures for the settlement of remuneration for regulated activities in the natural gas sector and quotas for specific destinations and establishing the information system to be submitted by the undertakings or the rules replacing it, do not comply with their obligation to pay in time the sums corresponding to them, interest on late payment shall begin to accrue, without prior request, which shall be equivalent to the statutory interest on the money increased by 1.5 points.

The Minister of the Economy is hereby authorised to make all necessary provisions in order to implement and comply with the provisions of this additional provision.

Twenty-third. Natural gas distribution.

On the natural gas distribution area of an administrative authorisation, no new authorisations may be granted for the construction of distribution facilities, and the obligations of service of general interest and extension of networks, imposed by law and in the administrative authorisation itself, must be fulfilled. This is without prejudice to Article 78.

Twenty-fourth. Qualified consumers.

(Deleted)

Twenty-fifth. Operational storage included in regasification and transport and distribution tolls.

1. Regasification and transmission and distribution tolls shall include the right to use the facilities necessary to transport the gas from the point of entry into the transmission system to the point of supply to the consumer and the right to minimum operational storage necessary to be able to operate in the system.

This minimum storage is set at % day of the contracted transmission and distribution capacity, for the transmission pipeline network, and at five days of liquefied natural gas of the daily contracted capacity for

regasification plant tanks on a general basis, except for users of installations with a contracted transmission and distribution capacity of less than 0.5 % of the total contracted capacity, for which the right to use operational storage in the pipeline network shall correspond to one day of the contracted transmission and distribution capacity.

2. The Minister of Industry, Tourism and Trade may modify the number of days of operational storage included in the regasification toll and the transport and distribution toll.

Twenty-sixth. *Allocation of underground storage capacity.*

1. For the allocation of underground storage capacity, a percentage of their useful capacity may be reserved for distribution, on an annual basis, between the subjects of the gas system.

In case of remaining underground storage capacity resulting from the annual distribution, requests for access to underground storage shall be decided on the basis of the chronological order of receipt of the formal request, without any marketer being able to reserve more than 25 % of this remaining capacity. If after this allocation remains storage capacity remaining for the annual period considered, pending and new applications received in chronological order shall be met without considering the limit of 25 % per marketer.

2. Access contracts signed as a result of the allocation associated with this reserve shall be valid annually, from April to March of the following year, without the right to extension.

3. Requests for capacity reserve will be submitted by interested parties during the months of December and January. The Technical System Manager shall carry out the allocation of capacities in accordance with the procedure described above before 28 February of each year.

3. The Minister for Industry, Tourism and Trade may amend the criteria for the allocation of underground storage capacity.

Twenty-seventh. *Monitoring Committee on the Technical Management of the Energy System.*

The Monitoring Committee for the Technical Management of the Energy System is hereby established. It will consist of representatives of the General Secretariat of Energy of the Ministry of Industry, Tourism and Trade, the Technical Manager of the Natural Gas System, the Operator of the Electric System, the Corporation of Strategic Reserves of Petroleum Products and the National Energy Commission.

The aim of the Committee is to monitor the security of energy supplies on a permanent basis. The composition, functions and operating arrangements of the Committee shall be established by regulation.

The Monitoring Committee for the Technical Management of the Energy System shall draw up an annual report to be forwarded to the Autonomous Communities.

Twenty-eighth. *Time limits for dispute resolution in relation to network management.*

Administrative complaints against a carrier or distributor of natural gas may be submitted to the body responsible for the resolution of natural gas, which shall issue a decision within two months of receipt of the complaint. This period may be extended by two months if the responsible body requests additional information. It may also be extended for a longer period with the consent of the complainant.

Twenty-ninth. *Accounting separation in the liquid hydrocarbons and liquefied petroleum gases sector.*

Companies or groups of companies engaged in exploration, production, refining, transport, storage, wholesale distribution, and retail distribution of petroleum products, and wholesale distribution, and retail distribution of liquefied petroleum gases, shall keep separate accounts for each of those activities.

Without prejudice to the application of the general accounting rules, the Government may establish the appropriate accounting and publication of accounts in such a way as to clearly reflect the revenue and expenditure of different activities and transactions between companies of the same group.

Thirtieth. *Current registrations in the Register of Qualified Distributors, Marketers and Consumers.*

The register of distributors, marketers and direct consumers in the market for gaseous fuels by pipeline, provided for in Article 83, shall be incorporated, from the moment of its creation, of all registrations in force in the Register of Distributors, Marketers and Qualified Consumers of Fuel Gases per pipeline.

Thirty-first. *Incorporation of subsidiaries of ENAGÁS, S.A.*

1. Enagás, S.A. shall constitute two subsidiary companies in which it holds all the share capital and which corresponds to the functions of technical manager of the system and carrier respectively, to be carried out with the contribution of all the tangible and personal assets currently engaged in the exercise of each of those activities. Enagás, S.A. may transfer its name to the carrier subsidiary.

2. All the provisions of Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector relating to the same shall apply to the subsidiary company of ENAGÁS, S.A. set up in accordance with the previous section that performs the functions of the Technical Manager of the System.

All the provisions of Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector relating to that activity shall apply to the subsidiary operating as a carrier. Primary transmission pipelines forming part of the backbone network shall be directly authorised to that transmission subsidiary for the purposes of that law.

No natural or legal person may participate directly or indirectly in the shareholding of the parent company, in excess of 5 % of the share capital, or exercise political rights in that company above 3 %. These actions may not be syndicated for any purpose. Persons carrying out activities in the gas sector and natural or legal persons who, directly or indirectly, participate in their capital by more than 5 per 100, shall not exercise political rights in that parent company in excess of 1 per 100. Such limitations shall not apply to direct or indirect participation by the public business sector. Shares in the share capital may not be syndicated for any purpose.

Likewise, the sum of direct or indirect holdings of persons carrying out activities in the natural gas sector may not exceed 40 %.

For the purposes of calculating the shareholding, the same natural or legal person shall be assigned, in addition to the shares and other securities held or acquired by the entities belonging to the same group, as defined in Article 4 of Law 24/1988 of 28 July 1988 on the Securities Market, those whose ownership corresponds to:

a) Persons acting in their own name but on their behalf, in concert or by forming a decision-making unit with them. Unless otherwise proved, the members of its administrative body shall be deemed to be acting on behalf of or in concert with a legal person.

b) The shareholders with whom it exercises control over a dominated entity in accordance with Article 4 of Law 24/1988 of 28 July 1988 on the Securities Market.

In any case, account shall be taken of both the Sunday ownership of the shares and other securities and the voting rights enjoyed under any title.

Failure to comply with the limitation on participation in the capital referred to in this provision shall be regarded as a very serious infringement for the purposes set out in Article 109 of this Law, and natural or legal persons holding the securities or to whom the excess holding in the capital or voting rights is attributable, in accordance with the provisions of the preceding paragraphs, shall be liable. In any event, the sanctioning regime provided for in that law shall apply.

Enagás, S.A. may not transfer to third parties the shares of subsidiaries carrying out regulated activities.

3. The limitations on participation rates and non-transferability of the shares referred to in this provision shall not apply to other subsidiaries that ENAGÁS, S.A. could constitute for the development of business activities other than transport regulated by Article 66 of Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector, the management of the transport network and the technical management of the national gas system.

4. The special tax regime provided for in Chapter VIII of Title VII of the consolidated text of the Law on Corporate Tax approved by Royal Legislative Decree 4/2004 of 5 March 2004 shall apply to the transactions referred to in paragraph 1 of this additional provision.

Thirty-second. *Subsidiaries of ENAGAS, S.A.*

Enagás, S.A. may not carry out through the subsidiaries referred to in the 31st additional provision activities other than the technical management of the system, the transport and the management of the transmission system. Similarly, such regulated subsidiaries may not acquire shareholdings in companies having different business purposes, without prejudice to Article 65.ter of this Law.

Thirty-third. *Obligation of home delivery of packed liquefied petroleum gases, in containers with a load equal to or greater than 8 kilograms and less than 20 kilograms and maximum retail prices.*

1. Users with a contract for the supply of packaged liquefied petroleum gases for containers with a load equal to or greater than 8 kilograms and less than 20 kilograms, with the exception of blending containers for liquefied petroleum gases as fuel, shall be entitled to be supplied to them at home.

At peninsular level and in each of the island and extra-peninsular territories, the wholesaler of LPG with the largest market share for its sales in the liquefied petroleum gas packaged sector, in containers with a load equal to or greater than 8 kilograms and less than 20 kilograms, with the exception of blending containers for liquefied petroleum gas uses as fuel, shall be obliged to supply home to all petitioners within the relevant territorial scope.

2. The list of LPG wholesale operators with an obligation to supply shall be determined by resolution of the Director General of Energy Policy and Mines every three years. This decision will be published in the Official Gazette of the State.

Where market developments and the business structure of the sector so require, and in any case every five

years, the Government shall review the conditions for exercising the obligation laid down in this Provision or agree to terminate it.

3. Notwithstanding Article 38 of this Law, as long as the conditions of competition and competition on this market are not considered sufficient, the Minister for Industry, Energy and Tourism, after agreement of the Government Delegate Commission for Economic Affairs, shall determine the maximum prices for the sale to the public of liquefied petroleum gases packaged in containers with a load equal to or greater than 8 kilograms and less than 20 kilograms, the tare of which exceeds 9 kilograms, with the exception of blending containers for the use of liquefied petroleum gases as fuel, by establishing specific values of those prices or a system for the automatic determination and updating of such prices. The maximum price shall include the cost of home delivery.

4. Without prejudice to the provisions of the preceding paragraphs, where the wholesale operator of LPG with an obligation to supply home, in packages with a load equal to or greater than 8 kilograms and less than 20 kilograms, does not have packages with a tare exceeding 9 kilograms, the obligation to supply home at the maximum selling prices referred to in paragraph 3 shall be extended to packaging with a tare of less than 9 kilograms, in the relevant territorial area.

5. Wholesale LPG operators shall provide the Directorate-General for Energy Policy and Mines with the information required for the performance of their duties, in particular for the purposes of applying, analysing and monitoring the home supply obligation, liquefied petroleum gas supplies and maximum retail prices referred to in the previous paragraphs.

Thirty-fourth. *Liquidity of the gas market.*

The Government and the Minister for Industry, Energy and Tourism shall, within their respective competences, make appropriate arrangements to ensure the liquidity of the gas market.

The National Markets and Competition Commission shall publish annually a report analysing and including recommendations regarding the level of liquidity, transparency and level of competition of the organised gas market. If there are no operators willing to generate such liquidity on a voluntary basis on the market, or if their contribution is considered insufficient, the Government may require natural gas marketers who are classified as dominant operators, in accordance with the third additional provision of Royal Decree-Law 6/2000 of 23 June 2000 on Urgent Measures to Intensify Competition in Goods and Services Markets, to submit offers for the purchase and sale of gas, for a specified volume, on the said market with a spread.

The National Commission for Markets and Competition shall propose to the Ministry of Industry, Energy and Tourism, for the product under consideration, a methodology for the calculation of this spread as well as for the volume to be offered. This methodology shall be approved by a decision of the Secretary of State for Energy.

Thirty-fifth. *Service Station/Information.*

Without prejudice to the provisions of Article 44 of this Law, the information from the Register of Retail Distribution Facilities of the Ministry of Industry, Energy and Tourism shall be supplemented by the information provided for in Order ITC/2308/2007 of 25 July 2007 determining the form of forwarding of information to the Ministry of Industry, Tourism and Trade on the activities of supplying petroleum products.

Thirty-sixth. *Final settlement.*

The final settlement of the revenues and costs of the gas system for each financial year, starting with that corresponding to the year 2015, must be made before 1 December of the year following that corresponding.

Thirty-seventh. *Agreements with non-European Union countries on transport pipelines.*

In the negotiations between Spain and non-European Union countries concerning the amendment, extension or conclusion of agreements relating to the management of transport pipelines on matters falling within the scope of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009, action shall be taken in accordance with Article 49b of that Directive.

TRANSITIONAL PROVISIONS

First. First. *Application of Law 21/1974 of 27 June 1974.*

Research permits and exploitation concessions granted under Law 21/1974 of 27 June 1974 on the legal regime for the research and exploitation of hydrocarbons, or earlier, shall be governed by the said Law, unless the holders express their wish to avail themselves of the regulations laid down in this Law for such permits and concessions.

Second. Second. *Applicable regulatory provisions.*

Notwithstanding the provisions of the single derogating provision, until such time as the provisions implementing this Law are adopted, so far as they do not preclude it, the regulatory provisions applicable to matters forming its subject-matter shall remain in force.

Third. Third. *Technical instructions.*

The Government shall, within a maximum of one year, by Royal Decree, approve the additional technical instructions referred to in the second paragraph of Article 43.2 of this Law, and in the meantime, the additional technical instructions currently in force, depending on the type of activity concerned, shall apply to any natural or legal person carrying out the activities provided for in that provision.

To that end, the future supplementary technical instructions shall relate, respectively, to two separate cases, on the one hand, those installations without supply to vehicles and, on the other hand, those installations in which supplies to vehicles are made, without prejudice to the fact that in each of those cases the different types of installation are treated differently, according to objective criteria, according to the various technical elements concurrent in each case. However, during this transitional period, Additional Technical Instruction MI-IP 03, 'Oil installations for own use', approved by Royal Decree 1427/1997 of 15 September 1997, shall apply to the basic transport associations, which are considered to be included in paragraph 2.1.K) of the above-mentioned Additional Technical Instruction, provided that the supplies which they provide correspond to a single type of fuel or fuel, are carried out exclusively in vehicles of their associates concerned with their public transport activity and in their installations cannot refuel more than two vehicles simultaneously.

Fourth. Fourth. *Prices of liquefied petroleum gases packaged.*

(Repealed)

Fifth. Fifth. *Qualified consumers.*

(Repealed)

Sixth. — Yeah. *Connection term and security.*

Until 1 January 2005, the tariffs, tolls and charges regulated by this Law shall include a term of connection and security of the system, which shall be satisfied by all natural gas consumers and which shall aim at ensuring a reasonable return on investments in basic and secondary transport installations intended to provide adequate security for the natural gas system, which had been the subject of a concession before the entry into force of this Law.

Seventh. Seventh. *Separation of activities.*

1. Companies which, at the time of the entry into force of this Law, have carried out activities which, in accordance with the provisions of Article 63, are to be separated from the accounts, shall give effect to the separation of accounts within one year of the entry into force of this Law.

2. Companies which, on the entry into force of this Law, carry out incompatible activities within the gas sector shall, within two years of the entry into force of this Law, carry out the legal separation of those activities, in accordance with the provisions of Article 63.

3. Companies which start marketing fuel gases shall do so through companies having as their sole corporate object in the gas sector that activity.

4. Transfers of assets for gas activities carried out in compliance with the requirement of separation of activities laid down in Article 63 of this Law shall be subject to the scheme established for transfers of branches of activity in Chapter VIII of Title VIII of Law 43/1995 of 27 December 1995 on corporation tax.

The tariffs of notaries, Mercantile Registrars and Property corresponding to the necessary acts of adaptation to the aforementioned requirement of separation of activities shall be reduced to 10 %.

Eighth. *Dossiers of authorisations and concessions being processed.*

Applications for authorisations and concessions relating to activities regulated in Title IV which are in progress at the time of the entry into force of this Law shall be resolved in accordance with the provisions of this Law.

Ninth. Novena. *Tariffs, tolls and fees.*

In order to properly assess the application of the new system of tolls, charges and charges and to avoid possible distortions in the regulation of the right of access to third-party installations, the provisions of Article

92(2) of this Law shall apply no later than two years from the date on which all consumers are qualified.

Tenth. Tenth. National Electrical System*Commission.*

1. By way of derogation from paragraph 1, of the eleventh additional provision of this Law, the National Electrical System Commission shall continue in the performance of its functions until the end of the five-year period for which the members who, at the entry into force of this Law, make up its Board of Directors were appointed.

During this period, the office of member of the National Electrical System Commission and member of the National Energy Commission may be held at the same time, provided that they have been elected in accordance with the procedure laid down in the first paragraph of paragraph 4 of additional provision of this Law, receiving remuneration only for one of them.

2. The transfer of material and personal resources from the National Electrical System Commission to the National Energy Commission will be established by regulation, ensuring, in any case, the maximum resource economy.

11st. Members of the National Energy Commission.

Within three months of the entry into force of this Law, the President and the members of the National Energy Commission shall be appointed.

Twelfth. Twelfth. Exclusive supply contracts.

Owners of installations for the supply of vehicles which, upon the entry into force of this transitional provision, had a commission agreement on the exclusive supply of fuels and fuels with a wholesale distributor shall be entitled, as from the entry into force of this transitional provision, to adapt the contract contract to the system of final sale, in accordance with its economic content, for which purpose they shall require the corresponding negotiation, which may under no circumstances give rise to the termination or termination of those contracts, nor to the interruption of the performance of the exclusive supply obligation or of any other.

Thirteenth. Previous authorisations.

Authorisations granted prior to the entry into force of this provision pursuant to Articles 7 and 8 of Law 34/1992 of 22 December 1992 on the organisation of the oil sector shall remain in force and shall have full effect without the need for ratification.

Fourteenth.

The conversion referred to in Article 77(3) of this Law shall be authorised by the competent authority at all times irrespective of whether the original authorisation was issued by an administration other than that authority.

Fifteenth. Natural gas distribution.

(Repealed)

Sixteenth.

The holder of the contract for the supply of natural gas from Algeria and supplied through the El Maghreb pipeline will allocate 75 % of the gas from it to "Enagas, Sociedad Anónima", which will sell it to distributors for sale to consumers at tariffs and the remaining 25 % to marketers for sale to qualified consumers.

Before 31 December 2000, the procedure for the application of 25 % for marketers shall be laid down by order of the Minister for Economic Affairs, which shall be transparent and non-discriminatory and shall be carried out at a price including the cost of acquiring the raw material plus a remuneration for management costs to be laid down by regulation. Each marketer shall not have access to more than 25 per cent of the gas destined for the liberalised market, the exclusion of gas may be envisaged depending on the relative position on the market and shall provide for the possibility of applying the quantities not covered by the requests of the marketers to the market at tariffs through the undertaking "Enagas, Sociedad Anónima".

From 1 January 2004, natural gas from this contract shall preferably apply to the supply at tariffs.

Seventeenth. Transitional revenue regime of the National Energy Commission.

1. Until the taxable amount referred to in point (a) is determined for the financial year 2002
- b) first, paragraph 2 of the twelfth additional provision of this Law shall continue to apply to the average monthly sales of petrol, diesel, kerosene and fuel oil established by Resolutions of the Directorate-General for Energy Policy and Mines of the Ministry of Economy of 8 March 2001

Once the relevant Resolution has been issued by the Directorate-General for Energy Policy and Mines of

the Ministry of the Economy, the National Energy Commission shall carry out the necessary regularisations, in accordance with the determination of sales established by the Commission.

2. Pending the approval by the National Energy Commission of the declaration-assessment forms referred to in the second and third numbers of the twelfth additional provision, paragraph 2 of this Law, the standard models approved by Decision of the National Energy Commission of 23 March 2000 and Circular 3/1998 of 30 July 1998 of the National Electric System Commission shall apply.

3. The revenue of the National Energy Commission for the year 2001 and years prior to the said year to be recovered before the entry into force of this Law shall continue to be governed for all purposes by the previous legislation.

Eighteenth. *Allocation of underground storage capacity.*

The percentage of the useful capacity reserved for distribution among the subjects of the gas system is set at 100 % for 2006 and will be carried out under the following criteria:

83 % of the usable gas storage capacity of underground storage shall be allocated to users on request in proportion to their total sales or consumption on the market during the calendar year preceding each distribution.

Marketers whose market shares in the calculation of total sales of natural gas in the previous calendar year are less than 0.5 % may request that their share of total sales for the purposes of calculating the allocation described in the preceding paragraph be considered up to a maximum of that percentage.

17 % of the usable gas storage capacity shall be allocated among users in proportion to sales to consumers connected to gas pipelines with pressure less than or equal to 4 bar.

For the period 2006-2007, the duration of contracts signed as a result of the apportionment associated with this reserve will end in March 2007, irrespective of the date of signature.

The Secretary-General for Energy of the Ministry of Industry, Tourism and Trade may amend the percentages referred to in this provision and the allocation procedure.

The Technical System Manager shall carry out the allocation of capacities for the period 2006-2007 within 15 days of the entry into force of this provision. Existing underground gas storage contracts shall comply with the deadlines and quantities allocated in the allocation.

Nineteenth. *Minimum natural gas safety stocks.*

Until 1 January 2012, the minimum security stocks referred to in Article 98 of this Law may include operational reserves. By regulation, the part of the minimum security stocks that may be operational and the manner in which they may be taken into account shall be established.

Twenty-nine. *Transitional regime for gases manufactured in island territories.*

Until the completion and start-up of installations allowing the supply of natural gas in island territories, distribution companies owning installations for the distribution of fuel gases in the said territorial area may supply manufactured gases or air propanised by pipeline under the regime laid down in this transitional provision.

The Minister for Industry, Tourism and Trade, after agreement of the Government's Delegate Commission for Economic Affairs, shall make the necessary arrangements for the setting of sales tariffs for manufactured gases and/or air intended for final consumers, establishing the specific values of such tariffs and prices or a system for the automatic determination and updating thereof, and shall establish the remuneration due to the undertaking for the performance of the supply activity and for the cost supplement involved in the supply of manufactured gases or propane air.

The tariffs for manufactured gases or propanised air shall be limited to the maximum fixed by the tariff of last resort for each level of pressure and volume of consumption, and shall be charged by the gas distributors, and the quantities paid must be applied the same as for tolls and charges in accordance with the provisions of this Law.

During this transitional period, in the procedure for the allocation of funds paid by carriers and distributors, account shall be taken of the remuneration due to the undertakings concerned for the performance of the supply activity and for the cost supplement resulting from the supply of manufactured gases or propanised air.

Twenty-first. *Transitional arrangements for connection rights to meet supply requirements for users.*

In those Autonomous Communities where the amounts relating to the charges referred to in Article 91 have not been approved, the amounts provided for in Article 91 shall apply in accordance with the provisions of Royal Decree 1434/2002 of 27 December 2002 regulating the activities of transmission, distribution, marketing, supply and authorisation procedures for natural gas installations, and the implementing regulations establishing the tariffs for natural gas and gas manufactured by pipeline, meter rental and connection fees for consumers connected to supply pressure networks equal to or less than 4 bar.

Twenty-second. *Transitional arrangements for installations in the public domain.*

Holders of the activities referred to in Article 103(1) of this Law who, prior to their entry into force, have required a decision of the State Administration prior to the beginning of their exercise in which a particular location of the facilities and infrastructures is established, with the obligation of administrative approval of their installation project, resulting in the need to occupy land previously or subsequently, as a State public domain of any kind, shall be entitled to the extension of such concessions; or where appropriate, the granting of new ownership concessions at the end of the former, until the public interest on which that location was based is declared extinguished by a reasoned decision of the same rank as that in which that decision was adopted, or have lost, for reasons provided for in the legal system, the title or conditions which it authorises to carry on the activity. Pending such an extension or, where appropriate, a new concession, the existing one shall be deemed to have been extended.

Twenty-third. *Time limit for setting up the subsidiary.*

Within one year of the entry into force of this law, ENAGÁS, S.A. shall constitute the subsidiary companies referred to in the thirty-first additional provision of this Law. The duties of Notaries, Mercantile Registrars and Property corresponding to the acts necessary for the formation of the subsidiaries will be reduced to 10 %.

Twenty-fourth. *Separation of activities of operators from the backbone network.*

The transport undertakings which operate the backbone network shall make the necessary adaptations to comply with Article 63(3) by 3 October 2012.

REPEAL PROVISION

It's unique. *Repeal of legislation.*

Without prejudice to the second transitional provision, upon the entry into force of this Law, the following shall be repealed:

- a) Law 21/1974 of 27 June 1974 on hydrocarbon research and exploitation.
- b) Law 10/1987 of 15 June 1987 on basic provisions for the coordinated development of actions in the field of gaseous fuels.
- c) Law 34/1992 of 22 December 1992 on the organisation of the oil sector.
- d) Articles 25 to 29 inclusive of Royal Decree-Law 7/1996 of 7 June 1996.
- e) Article 86(3) of Law 7/1985 of 2 April 1985 and corresponding provisions as regards the supply of gas.
- f) Articles 6, 7 and 8 of Law 54/1997 of 27 November 1997 on the electricity sector.
- g) Any other statutory or regulatory provision as soon as it is contrary to the provisions of this Law.

FINAL PROVISIONS

First. First. *Character of the Law.*

1. This Act is of a basic nature, in accordance with the provisions of article 149.1.13.a^{and} 25.a of the Constitution.

2. References to administrative procedures, which will be regulated by the competent administration, are excluded from this basic nature and in any case comply with the provisions of Law 30/1992 of 26 November 1992 on the Legal Regime of Public Administrations and the Common Administrative Procedure.

3. The provisions of this Law concerning the foreign trade regime in crude oil and petroleum products and forced expropriation and servitude are dictated in the exercise of the powers conferred on the State by article 149.1.8.a, 10a and 18a of the Constitution.

The provisions of Title II relating to the exploration, research and exploitation of hydrocarbons are of general application, pursuant to the provisions of Article 149.1.13(a), 18(a) and 25(a) of the Constitution.

Second. Second. *Development faculties.*

The Government shall, within the scope of its competence, adopt by Royal Decree the rules for the implementation of this Law.

Third. Third.

The General State Budget Law may amend, in accordance with the provisions of Article 134(7) of the Spanish Constitution, the scales contained in the first additional provision of this law, as well as those of Article

44 of Law 21/1974 of 27 June 1974 on the legal regime for the exploration, research and exploitation of hydrocarbons, in so far as they are applicable under the first transitional provision of this law.

Fourth. Fourth. *Entry into force.*

This Law shall enter into force on the day following its publication in the Official Gazette of the State.

Therefore,

I command all Spaniards, individuals and authorities, to keep and keep this Law.

Madrid, 7 October 1998.

JUAN CARLOS R.

The President of the Government,
JOSE MARIA AZNAR LOPEZ

This consolidated text has no legal value.